nationalism is simply a public good which a country has a legitimate right to desire.

Following support from industrial countries and a spirit of compromise from developing countries, the United Nations' code of conduct for multinational corporations should be in place next year. While this code is voluntary rather than mandatory, the general consensus is that some code is necessary. The code will include guidelines on foreign exchange operations, transfer pricing, and restraint of competition and policies regarding information dissemination to host countries. When discussions began four years ago, industrialized countries were particularly concerned that their home-based multinationals were not singled out for unfair, discriminatory treatment. At the same time less developed countries were opposed to the inclusion of any rules of government conduct. The move to reconcile these polar positions represents a positive step. International agreements among governments will establish ground rules that will transform disputes into legal issues amenable to solution by international tribunals rather than have them remain political issues characterized by emotional and ideological rhetoric.


The Dean Rusk Center was established in 1977 to foster interdisciplinary research, service and education concerning institutions and processes basic to efficient intercourse among nations. U.S. fiscal and monetary policy has separate emphasis, due to its increasing impact upon international commerce. U.S. trade and investment in a world environment remains the primary focus of its study and policy recommendations sponsored by state and federal entities. The Center also recognizes that internal dynamics of nations remain the major determinant of international relations and that domestic concerns about the quality of life, stability and efficiency will continue to vie for prominence in determining a nation's posture in world affairs. Thus, much of the Center's data collection and analysis dwells on domestic events of nations and diverse disciplinary explanations of their presence and evolution.

Admittedly, the interactions of fiscal and monetary policy, international arrangements and domestic events cannot fully be analyzed in a specific geographic or subject context. Nevertheless, many of the Center's policy development activities concentrate on the North American region and related subjects of agriculture, national development, business-government relations and public governance. These bi-weekly briefings reflect the convergence of the Center's diverse activities and interests.

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Facts and details of events addressed in briefings are gathered through a scanning of major daily newspapers and weekly periodicals, which are cited throughout each article. Sources of related policy and disciplinary material appear in a listing following each article. The purpose is to link facts with policy implications and academic points of view in order to present an integrated and in-depth approach to current issues. Views expressed are not necessarily those of the Rusk Center.
I. FISCAL AND MONETARY POLICY

A. FISCAL - SECTORAL PLANNING

The Economic Recovery Tax Act and the Accelerated Cost Recovery System that were enacted last year indirectly reflect the government's continued penchant to stimulate selectively discrete segments of the domestic economy. By receiving special subsidies, railroads were allowed to depreciate faster, while other forms of capital-intensive businesses were favored over labor-intensive enterprises. Earlier, deregulation of natural gas was ordered to accelerate domestic exploration and recovery. The President's recent refusal to reduce such fiscal stimulants reaffirms the government's continued presence in microeconomic industrial planning. Similar intentions underlie ambivalent support for Trade Adjustment Assistance as well as for the curtailment of European steel imports, Asian textiles, and Japanese autos (Bus. Wk., 12-7-81, p. 34; 1-18-82, p. 28). Geographic planning also continues to be one of the government's prerogatives, as is evident from proposals to create special "enterprise zone" tax credits designed to spur capital investment and job creation in blighted urban areas (Bus. Wk., 1-1-82, p. 104).

At a less visible federal agencies are also restructuring themselves to monitor world business trends by industrial sector. In particular, the Commerce Department and the U.S. Trade Representative (USTR) have moved into this role in recent years with the intent of identifying areas where high-growth U.S. industries need targeted government representation overseas for trade negotiations. Much of this activity can be traced to earlier legislative admiration of the "Japan, Inc." trading model and the recent discussion on targeted reindustrialization (Bus. Wk., 12-14-81, pp. 39-120).

In theory, such sectoral planning seems rational as worldwide competition increasingly highlights inherent comparative advantages. The Japanese practice of overtly planning industrial expansion and contraction through entities such as MITI and JETRO is reinforcing the U.S. government's urge to seek the theoretical advantages of providing federal fiscal incentives for perceived trade winners and reduced support of apparent losers. The adverse implications of such government intervention are considerable. The government has long sought to shield the steel industry from full foreign competition in order to provide time and additional profits for capital modernization of existing steel facilities. U.S. Steel's recent purchase of Marathon Oil, however, is cited as an example of what the private sector will do absent the necessary linkage for insuring intended reinvestment and hence the benefits of protectionism. Adverse public opinion about betrayal of a moral obligation to reinvest can clearly have widespread impact. It seems likely, for example, that organized labor will insist in the future on better linkage, especially when sectoral planning involves wage and work condition concessions. In turn, pursuit of such linkage can quickly undermine other government initiatives to curtail government regulations of the private sector (Bus. Wk., 12-7-81, p. 105).

In addition to the philosophical and moral challenges involved, governmental industrial planning must answer many implementation questions, such as whether industrial winners and losers can be picked, interest group theory and empirical research offered by political scientists suggest that intricate, long-term sectoral planning would be unlikely to enjoy necessary and continuous support in the congressional authorization and appropriation process. Interdepartmental rivalry among cabinet agencies would further diminish the potential for coherent implementation of expansion and realignment plans that would necessarily involve diverse departments like Labor, Treasury, Commerce, EPA, International Trade Commission, Justice, etc. The historical, cultural, economic, and political antecedents of Japanese sectoral planning are clearly lacking in the U.S.

Industrial planning on the Japanese model may be elusive, but some form of rational action for coping with the realities of comparative advantage in an increasingly fluid world market must be forthcoming.
Increased USTR and Commerce efforts toward strategic data collection and analysis along sectoral lines will provide needed material for broader public awareness of evolving competitive trends and of the logical implications for the rational allocation of U.S. resources. Presumably this will dull some of the adversarial spirit that exists between producers and consumers of material and human capital so that the information and power inherent in each can be exchanged to construct a production strategy fully attuned to the perils of foreign competition (Bus. Week, 12-21-81, p. 82; 5-11-81, p. 84).


II. MONETARY - STABILITY AND THE INTERNATIONAL VALUE OF THE DOLLAR

It is becoming increasingly clear that the international exchange value of the U.S. dollar is influenced by a range of variables outside U.S. monetary authority control. Dollar depreciation at the end of 1981, which was in line with conventional expectations of recessionary effects, has now reversed itself. While a strong West German trade performance in 1981 has retarded the further depreciation of the deutsche mark, both political and economic uncertainties in other parts of the world serve to keep the dollar strong. Many analysts, citing anticipated increases in the international current account deficit, believe the dollar will again weaken as 1982 progresses, though not to the low levels of 1979. However, changes in current account balances are now much less a determinant of exchange rates than they have been traditionally. Interest rate volatility, coupled with global political uncertainties, stimulates capital flows of sufficient size to dwarf the magnitude of imbalances in trade and current accounts (J. Commerce, 1-6-82, pp. 5A & 11A).

Of more profound importance is investor unease over political developments in Europe and the Middle East. With West Germany heavily committed in eastern Europe, serious concern exists over the repayment of financial obligations due West German banks. The political coalition of Helmut Schmidt is far from secure, and increasing domestic nationalist pressures also serve to heighten uncertainties. The installation of leftward-leaning governments in France, Belgium, and Greece has added a higher quotient of unpredictability to Europe's future political and economic stability.

Undoubtedly, West European governments wish to achieve greater independence from U.S. monetary policy. The possibility for this in the near future, however, appears remote. The Reagan administration's commitment to reduce inflation, together with increased government borrowing (to finance a growing deficit) and corporate borrowing (to finance growing inventories) will probably keep U.S. interest rates high. Rates in Europe should also remain high, if for no other reason than to forestall depreciation of European currencies against the dollar, which is used for nearly three-quarters of world trade and lending and constitutes almost two-thirds of all foreign exchange reserves (Economist, 11-14-81, p. 17). Because many commodity items imported by western Europe are priced in U.S. dollars, local currency depreciation can add dramatically to domestic inflation. The OECD has estimated that if western European currencies appreciated by 20% against the dollar, Europe's gross national product could increase by .7% in just six months on account of import price reductions that would trim approximately 2% from European inflation rates, with the obvious boost to real income (Economist, 11-27-81, p. 76).
As might be expected, recessionary troubles in the industrialized world are reflected in the developing world, in most cases with far more dire consequences. Every percentage-point reduction in U.S. interest rates represents a savings of nearly $1 billion a year in debt servicing (Economist, 11-14-81, p. 17). This debt burden is further reduced if the international value of the dollar declines along with an interest rate decline. In many respects, LDCs may now be less able to cope with the economic realities of interest and exchange rates than they have in the past. For many, their borrowing capacity is close to the limit. Eurodollar lending to Mexico reached $7.5 billion in 1981, and the country’s total outstanding debt is rapidly approaching Brazil’s $60 billion (J. Commerce, 12-5-81, p. 6A). Latin America’s outstanding debt of $240 billion is creating serious concern because of the questionable servicing abilities of many individual countries. Most LDC export earnings have been badly affected by the general fall in commodity prices, occasioned again by sluggish growth in the face of high interest rates in industrialized countries (Bus. Wk., 11-9-81, p. 126). Finally, many of the LDCs’ import bills, especially for oil, have grown dramatically because of the strong U.S. dollar.

Although a less restrictive monetary policy in the United States could serve to weaken domestic interest rates, it is no longer clear to what extent the international exchange value of the dollar would depreciate. The lack of secure alternative forms of asset holding means that U.S. currency will remain a desired exchange medium. Middle Eastern countries with large holdings of surplus funds may willingly forego a few percentage points of return in the face of political uncertainties imposing upon the stability of other currencies. The vicious circle becomes more apparent with the spectre of large defaults by some LDCs in 1982, which would have a far greater impact in European financial markets than in those of the U.S., with their more diversified loan portfolios.


11. INTERNATIONAL ARRANGEMENTS

A. ECONOMIC/COMMERCIAL—INDUSTRIALIZING NATIONS IN TRANSITION

Reciprocity, an old principle of industrial country trade, is rapidly becoming a litmus test for U.S. trade with several industrializing countries. Taiwan, Korea, Brazil, and Mexico have long enjoyed trade with the U.S. under the General System of Preferences that allowed exports to the U.S. at lower tariff rates than those for industrialized countries. The GATT and International Monetary Fund also commended domestic industry protective practices considered inappropriate for a developed economy, and other international agreements such as the Multifiber Agreement and Coffee Agreement protected both the volume and price of their important exports.

Diminished growth and rising unemployment in developed countries is now prompting reassessment of trade relations with these emerging giants of commerce. The Multifiber Arrangement negotiated in late December authorized industrialized countries to set lower growth levels in separate agreements with major exporters like Taiwan and South Korea (Bus. Wk., 1-18-82, p. 41). International financial institutions are increasing pressure on Mexico and Brazil to curtail domestic industry protection. The U.S. is escalating pressure on Mexico to open its borders to more U.S. goods and services and to lower export performance requirements on U.S. investors or face a rash of unfair trade and dumping complaints.


Increased friction between these industrializing countries and the developed nations of Europe and North America is viewed mainly as a significant change in trade relations, but it also signals a major realignment of trading power that promises to have an impact on world trade patterns similar to Japan's during the last two decades. Brazil, despite high inflation and a history of political instability, has become a major world supplier of coffee, and U.S. agricultural imports like orange juice (Bus. Wkly., 11-9-81, p. 126). Korea is a world leader in large-scale overseas construction projects, and Mexico is developing a petrochemical industry of world import. Apart from exports, these countries have enormous domestic market potential and a low-cost labor pool which cannot be exhausted in the foreseeable future.

When the magnitude of their trade power becomes fully appreciated by the American public, it can induce considerable fear that could snowball into political support for widespread protectionism. The irony is that these countries, long nurtured by U.S. markets and capital, are rapidly adopting the U.S. proclivity for mass domestic consumption, and have a diversity of material and human resources that ensures fundamental national independence. Substantial U.S. resistance to the natural evolution of their economies will thus appear as a major contradiction of values inherent in the history of U.S. development and foreign policy concerning LDC development.

Despite similarities to the U.S., the future development of Brazil and Mexico cannot be understood by a mere extrapolation of U.S. experience. Each is a country of natives, not immigrants. Income and education disparity is enormous and these two countries cannot be compared with the U.S. on equality of individual opportunity. Thus, political institutions will necessarily follow a different course. Furthermore, philosophical heritages and political relationships to the world's remaining LDC population will dictate a posture of leadership on political, cultural, and economic issues which will often conflict with U.S. views and expectations. External pressure cannot be expected to reduce significantly this incompatibility because the breadth and depth of domestic resources and population will reinforce their quest for a unique destiny. Consequently, relations with them must be crafted with deference to their inherent significance in the world economy and to their perceptions of their potential to make unique contributions to a world community.

The immense physical resources of Brazil and Mexico make their future world importance obvious. Moreover, the U.S., Japan, and Europe, as well as major international institutions, have facilitated their infrastructure development to a point where they can exploit these resources with economies of scale that will ensure long-term comparative advantage. Achievement of this advantage, however, will rest heavily on whether their unique political and cultural fabrics are conducive to engaging their human capital in a framework that is both efficient and stable.


B. POLITICAL MILITARY

U.S. SANCTIONS AGAINST POLAND - The imposition of martial law in Poland has elicited a call by President Reagan for trade sanctions against the Soviet Union and Poland to convey to the East Bloc and the world U.S. disapproval of the reinforcement of Soviet rule over its sphere of influence in East Europe (Wall St. J., 12-18-81, p. 2; 12-22-81, p. 31; J. Cameron, 12-31-81, p. 1A; Newsweek, 1-11-82, p. 143). He simultaneously sought diplomatic support for the sanctions from the
industrial countries. When the Polish crisis began on December 13, West German chancellor Helmut Schmidt was meeting with East German leader Erich Honecker (German Tribune, 12-20-81, p. 7). Economic sanctions, or depriving a country of critical goods and services, are imposed in an attempt either to signal disapproval of an action or policy in which the subject country is involved, or to change the behavior of that country to make it conform to the subject country's wishes. The constellation of interests on the domestic and international levels seems to provide an indication of the effectiveness of these sanctions.

The domestic arena appears to feature groups at work on sanctions policy that conflict with each other in the pursuit of differing conceptions of East-West relations. The State Department favors the highest levels advocates a continuation of liberalized trade with Poland and the U.S.S.R. because exports from West to East may reduce the Soviet Union's options to undertake diplomatic campaigns and adventures contrary to Western interests, and because trade may aid in detaching Poland from the Warsaw Pact. The Department of Defense advocates employing sanctions against the Soviet Union to punish it for its role in the Polish crisis as well as to deny aid to the Poles in hopes of destabilizing the East Bloc by exacerbating its already serious economic problems. The sole power the President possesses to control exports is to grant requests to export items in the form of licenses to trading companies and manufacturers. The standards he uses to judge whether the export of an item is in the national interest involve (1) the private sector's "right to export"; (2) considerations of national security; and (3) exportation as an instrument of foreign policy. Within the past few years and especially during the Carter administration, "national security" has been broadened to include what was conventionally considered "foreign policy," so that the President has been created to justify embargoes on items for national security reasons that have no immediate military value. This is the presidential authority that the Defense Department and other anti-communist hardliners have expected the President to use in the imposition of sanctions.

On the international level, the inability to agree on a unified western response provides yet another indication of the ineffectiveness of the Coordinating Committee on Export Controls (COCOM) and the general disinterest of NATO (Time, 1-18-82, p. 46). The foreign ministers of the European Communities issued a communiqué stating that, although they agreed that the Soviet Union was responsible for the Polish crisis, they would not join the U.S. in imposing sanctions on the Soviet Union unless martial law was prolonged (Time, 1-18-82, p. 11; J. Commerce, 1-20-82, p. 1A).

That Schmidt and Honecker continued to confer after the Polish crisis began indicates the difference between West Germany's position—and West Europe's position in general—and the U.S. position vis-a-vis the Polish situation. Ten percent of West Germany's trade is with countries which are members of the Council for Mutual Economic Assistance. Poland owes more money to West German banks than to banks of any other western country, e.g., $2.7 billion versus the $1.8 billion it owes the U.S. (Time, 1-18-82, p. 69). The proximity of West Germany to Poland generates the humanitarian contention that sanctions will harm the Polish people more than they will challenge the integrity of the Polish military government and the domination of the Soviet Union. Most Germans are also aware that their nearness to Poland is the basis of a sufficiently trading relationship. In addition, Schmidt is committed, even at the risk of offending the United States, to continuing his Ostpolitik policy which is supposed to create the setting for an eventual reunification of the Germanys.

Two reasons exist as to why sanctions would be ineffective against the Soviets and the East Bloc. In the short term, sanctions would probably eliminate the market share for the countries participating while other countries would fill the vacuum immediately and permanently. For the long term, West Europeans fear that if they participate, the Soviet-East Bloc market vacuum will be filled by other countries which did not possess market shares before because they lacked the export capacity but which would be able to fill the vacuum. In particular, they
probably fear that for high-technology items, Austria, Brazil, and Sweden would eventually emerge as substitute suppliers. While the Soviets are demanding high-technology items that require services over a period of years, they are also demanding assurances that they will continue to have uninterrupted access to parts and technicians required to service and improve these products. Sanctions are also ineffective to any country's trading position because successful trading with East Bloc countries is a function not merely of the ability to make trading deals, but also of making sound marketing judgments based on experience in the markets themselves. Such judgments involve knowledge of local cultures and the development of bureaucratic contacts.

That the Republican Party is composed of anti-communist hardliners who favor using trade as a political weapon and advocates of free trade is an indication of the challenges of formulating consistent policy faced by the President. One factor that might eventually enable the President to make consistent policy is the increasing interest of Congress over the past few years in asserting its authority in the foreign trade policy-making process. Such a trend is discernible in the increasing control that Congress has sought over export control policy as expressed in the past few years and especially in the Export Administration Act of 1979, which imposes the strictest post-World War II limitations on the President's power to block exports for national security reasons (Columbia J. of Transnat'l. Law 19(2):264-65, 1981). If Congress repeals licensing requirements altogether, then it will have denied the President a major tool that can be used to politicize trade.


G. SOCIAL/CULTURAL--THE SHAPE OF KNOWLEDGE

In the United States recently, administration and some industry officials have expressed proprietary concern over the control and use of advanced American technology. Late last year a controversy developed when the State Department contacted a number of universities requesting that certain Chinese students be restricted in their research studies (Newsha., 12-7-81, p. 36; N.Y. Times, 12-1-81, p. A30). The State Department defended its actions on grounds that the entire issue had arisen because the department had in 1980 facilitated a large influx of Chinese by permitting them to obtain student visas prior to review of their application, which requires a description of planned research. Several hundred applications involved a possible conflict with export control laws, and a "handful" were judged to warrant action (N.Y. Times, 12-7-81, p. A26). In a related incident, officials of the CIA and Defense Department in early January caused a furor in the scientific community by suggesting that if scientists working in sensitive areas did not submit their research proposals and papers voluntarily to prior review by intelligence agencies, Congress would soon require them to do so. These areas include computer hardware and software, other electronic gear and techniques, lasers, crop projections, and manufacturing techniques (Wash. Post, 1-8-82, p. A1; 1-9-82, p. A5; N.Y. Times, 1-10-82, p. 15; 1-24-82, p. E19). In addition, some firms working with genetic engineering have been expressing worries that the Japanese may obtain information from the U.S. enabling them to reach and surpass the current state of the art here (Wall St. J., 10-9-81, p. 29). These events breach questions of the role of the academic and scientific
community in educating students from other countries, of its ability freely to advance the boundaries of knowledge, and of its obligations to the security of the nation.

That America is training and educating more foreigners cannot be denied. Over 500,000 students at colleges and universities in the U.S. during the 1980-81 school year—double the number in 1975-76. Estimates are that over a million will be coming by the early 1990s—comprising 10% of the total student population. The vast majority of students are presently from the developing world (N.Y. Times, 1-10-82, sec. 13, p. 23). They bring to the U.S. $2.3 billion annually (N.Y. Times, 12-1-81, p. A30), which has contributed significantly to the financial viability of American educational institutions faced with declining enrollments. Apart from this immediate advantage, however, other benefits accrue both to the U.S. and to other countries. Many developing nations are presently experiencing a critical shortage of skilled labor and technical know-how, but are without an extensive educational infrastructure to provide necessary training. The U.S. has that infrastructure. While LDCs may not want to remain permanently without their own well-developed system, for now the U.S. can fill a gap and hasten the development process. Moreover, when foreign students are well treated in the U.S. and provided with skills to succeed at home, they are likely to leave with a personal attachment to the U.S., having assimilated something of the American value system and having acquired a taste for American goods. An important investment will have been made in the future (Ch. Sci. Mon., 12-21-81, p. 15).

At issue from the administration viewpoint, however, is not generally the education of students from the LDCs, although to the extent that they learn new techniques, they may enhance the competitive capabilities of their own country on the world market. Nations like the U.S. and Japan are in fact being impelled to improve their own positions as the productive capabilities of Brazil and South Korea, for example, improve. Aside from the need constantly to upgrade efficiency in the application of techniques, an advanced nation maintains its competitive position by staying at the forefront of the expansion of the boundaries of knowledge. Japan, formerly considered an imitator of the technology of others, has made the commitment to achieve superiority in a number of areas and is aggressively pursuing various avenues, including bilateral research projects with U.S. companies, to reach its goal. At a time when basic research needs to be receiving equally strong support in the U.S., research funding as a proportion of GNP is falling. It could be further undermined if restrictions are placed on the rapid and broad distribution of research results, which permits scientists working in complimentary areas to benefit from the latest understanding of others.

Against the economic imperatives for maintaining technological superiority must be weighed the need to restrict the education of foreign students and the free flow of scientific information because of the danger which now does concern the administration—that U.S.-developed technology could be used militarily against the U.S. and its allies. The actual danger at present appears hard to measure, and the author is complicated by the fact that so much of use in peaceful economic pursuits can also be applied to weapons. The scientific community maintains, however, that the task of restricting access to all sensitive information would not only be unfeasible, but would ultimately be most harmful to the U.S. Should the intelligence community be granted the power of prior restraint, severe disruptions in the conduct of ongoing research could result, with the "softer" alternative of censorship being followed in questionable cases (N.Y. Times, 1-24-82, p. E19). Lacking the free flow of information, research would suffer; and with the loss of superior knowledge, the need of censorship would vanish.

These important issues are far from resolved; however, they will become more complex as traditional private and public sources of funding are reduced and universities seek to maintain their research projects and facilities through industrial and defense sponsorship.


III. DOMESTIC ISSUES

A. VALUES - TRANSPORTATION IN THE U.S.

The condition of the nation's transportation infrastructure is receiving increased attention as presidential proposals to cut funding for transportation are provoking immediate reaction as well as reflection on the state of transportation in general. The Reagan administration would like to eliminate operating subsidies for mass transit systems over a four-year period and to replace them with funds allocated by the states; this would be accomplished by repealing the Mass Transportation Act of 1974, which requires the federal government to subsidize 50% of the operation of mass transit across the country. This proposal went to approved by Congress, about 75% of the nation's 300 metropolitan transit systems could cease functioning (Bus. Mk., 10-26-81, p. 142А; U.S. News, 9-31-81, p. 18; Wall St. J., 12-31-81, p. 9; N.Y. Times, 12-30-81, p. 13; Chr. Scis. Mon., 12-29-81, p. 6). Urban mass transit systems have been deteriorating because service costs have been rising faster than the funds have been allocated to public transport. A similar situation exists for the nation's roads. The cost of maintaining interstate highways in the next decade is estimated at $10.4 billion. It has been estimated that $500 billion must be spent to maintain the present amount of services for roads and highways outside urban areas and that it will cost $41.1 billion to replace or repair more than 200,000 substandard bridges across the nation (Bus. Mk., 10-26-81, p. 142). The state of transportation at a time of far-reaching budgetary constraints raises numerous questions about the future of transportation and the quality of life in America.

Reductions in transportation funding can be explained by reference to the nation's economic condition. Transportation costs are rising primarily in response to increased fuel costs. Migration to the suburbs has accelerated along with the rise in gasoline prices and mortgage rates; thus demand for transport systems from suburban residence to urban workplace has increased. The President's budgetary reduction proposals have focused on what has seemingly turned out to be the incorrect reversal of priorities among local communities which have favored funding education, police protection, and the construction of high-visibility buildings while ignoring the deteriorating city infrastructures (Bus. Mk., 10-26-81, p. 139). The implications for businesses which use highway transportation are significant because trucking routes between embarkation and destination are frequently in such disrepair that they must be circumvented, thus adding to transport costs (Bus. Mk., 10-26-81, p. 142). Ironically, Reagan's business recovery plans might be undermined because budget cuts would eliminate federal aid to states for repairs and construction required for industrial expansion that the President believes will result from tax reductions. Advocates of mass transport subsidies, primarily officials from large cities and their constituencies among commuters and transport unions, argue that state and local governments cannot be held responsible for financing transit when they cannot generate the revenues for transit even though it is crucial for local labor mobility. Critics argue that on principle states should be able to control funding that involves the use of property under their jurisdictions, that it is illegitimate for national tax revenues to be used for local mass transportation systems, and that local mass transit is wasteful.

The future of American transportation seems to revolve around the resolution of the growing contradiction between Americans' celebrated mobility and personal independence on the one hand, and on the other hand the decline in the quality of conventional transportation infrastructure and the disinclination of the public to redress it. That
small car purchases will increase to 70% of car sales by 1990 might be an indication of the national preference for private transportation as long as it is economically feasible (Annals, 1-81, p. 83). Electronic shopping and banking, satellite-based business and conference communications systems, electronic home office systems, and consumer access to a range of home video entertainment could override this conflict. Transportation policy might have to be formulated on a new basis. Instead of having it founded on the present criteria of the personal and short-term utility of private transportation, which is a credible rationale today, it will probably have to be formulated with a long-term commitment to accommodating the increasing costs of transportation by using both public and private mass transit such as buses and individually financed methods such as toll road networks (U.S. News, 8-81, p. 21).


B. HUMAN DYNAMICS - MILITARY COUP IN GHANA

On December 31, 1981, a military coup overthrew the government of Ghana, becoming part of a growing trend in Africa toward the ouster of elected governments and rule by the military. Elected governments in neighboring Upper Volta, and Guinea Bissau were recently overthrown (Kash, Post, 1-81, p. A15), making 20 African nations now under military rule (Wall St. J., 1-81, p. 2B). This coup is particularly significant because Ghana's government had been endeavoring to correct some of the economic problems that were straining the country's unstable social and political equilibrium.

Ghana's economic problems, like its recent devotion to military rule, typify those of many developing countries. Potential resource wealth and comparative advantage in export commodities have not been translated into a higher living standard for most citizens because of a combination of misguided government policies and unstable world commodity markets.

Exogenous trends are largely to blame for Ghana's balance of payments deficits and shortage of foreign exchange reserves. Ghana's primary export cocoa, has suffered a long-term price decline occasioned by a world market surplus, while oil imports drain a large proportion of export earnings (now 60%) even though three-fourths of its energy needs are fulfilled by wood and animal dung (Wall St. J., 1-4-82, p. 28). However, Ghana itself is to blame for failing to take advantage of the ten-fold increase in world gold prices since 1976; because of memories of past foreign exploitation, heavy duty barriers discourage foreign investment (New African, 7-81, p. 24; 2-81, p. 24).

Such ideological considerations, although grounded in a humanitarian sense of nationalism and social welfare, inform other government economic policies with equally negative results for Ghana's economic efficiency, the quality of its citizen life, and ultimately, its political stability. Price controls, designed to aid the poor and curb extreme inflation, have severely retarded food production and led to a burgeoning black market economy which even military and police operations were unable to estimate (New African, 2-81, p. 23). Overstretched budgets during the early years after independence in 1957 created an infrastructure which Ghana's economic base could not maintain. Today cocoa supplies cannot reach markets because of the decayed state of the transportation network, aggravating its balance of payments deficit and forcing the industry to turn to the military to carry out deliveries.
A punitive exchange rate and an artificially low price for cocoa have served as incentives to large-scale smuggling of as much as one-fifth of Ghana's cocoa production to neighboring Ivory Coast (West Africa, 2-11-81, p. 2568).

Ironically, Ghana's government, which was headed by Dr. Hilly Liman, an economist, had been attempting to correct many of these problems during the past year. Trade was liberalized, western foreign investment was actively sought, cocoa prices were raised by the marketing board, and efforts were made to reduce the budget deficit (West Africa, 11-23-81, p. 2758; New African, 7-81, p. 24). However, the government refused to devalue the currency, despite a high black market and IMF pressures to do so, probably because it was too weak to undertake more decisive measures toward pragmatism. In 1979, a new constitution created an American-style government with separation of powers, freedom of the press, and a multi-party system. Opposition parties proliferated to the point that no effective political alternative existed, while the ruling party's strength was eroded internally by criticism that its pragmatic reforms were a betrayal of its ideological heritage (New African, 2-81, p. 25).

Because Ghana typifies the situation of so many developing countries, the implications of this coup are revealing in regard to the dangers of viewing Third World reality as a theoretical abstraction. The application of economic theories of comparative advantage, specialization, and international trade to developing nations that lack a diversified, self-sufficient economy to cushion the effects of world economic fluctuations runs the risk of undermining political stability. Indeed, a recent sophisticated statistical study found a strong correlation between the frequency of military coups and a country's degree of dependence on commodity exports (British J. Political Science 11:287-303, July 1981). While the West can do little, especially in the short run, to alter such narrowly informed policies, it could mitigate the situation somewhat by cooperating in efforts to stabilize world commodity prices, as sought by developing countries in the North-South dialogue (Ch. Sci. Mon., 1-5-81, p. 24).

Similarly, the application of American political theories and institutions to developing nations can prove detrimental to the very democratic and social values they are designed to forward. Developing countries like Ghana need a strong rather than a diffuse political authority to overcome the centrifugal tendencies of tribal loyalties and to replace ascritive and particularistic norms with those of achievement and universalism, which are more conducive to economic and social development. At the same time such strong, central institutions must formulate policies guided more by pragmatism than by theoretical or ideological considerations if they are to avoid the pitfalls experienced by Ghana: economic efficiency is sacrificed by excessive government economic interference, while its high degree of involvement renders the government subject to charges of responsibility for economic failures, thus undermining its support. Such involvement can also be socially fragmenting, especially when costs or benefits of government economic policies are perceived as falling disproportionately on one social group or tribe.

If the international and domestic attitudes which have contributed to Ghana's coup persist, then one can expect realization of the World Bank's dire prediction that many of Africa's countries, 20 of which are currently among the world's 30 poorest nations, will be worse off in 1990. Africans will suffer most from this eventuality, but the West will bear the opportunity cost of potential supplies and markets foregone.

C. RESOURCES - THE CRIMINAL JUSTICE SYSTEM

Increasing concern is being expressed in a wide variety of literature over the state and future direction of the U.S. judicial system. The pre-trial publicity given the Wayne Williams murder trial in Atlanta has created difficulties and raised questions regarding the fairness of the ongoing proceedings. During the jury selection stage, Fulton County Superior Court Judge Clarence Cooper was obligated to consider the effect that extensive media coverage might have had on the ability of prospective jurors to be impartial (Atlanta Constitution, 12-29-81, p. 1A). The local district attorney believed that in some cases prospective jurors merely claimed bias to avoid serving during a potentially lengthy trial (Atlanta Constitution, 12-31-81, p. 1A). Defense attorneys, voicing skepticism about their ability to obtain a fair judgment in Atlanta, have endeavored to obtain a change of venue (N.Y. Times, 12-27-81, p. 16). The issue of publicity becomes even more complex when one recognizes that the future careers of involved practitioners can be materially affected by the media coverage given a judicial proceeding. Under these circumstances, understandable public skepticism of the fairness of the judicial process could undermine the utility of the judiciary in resolving conflicts.

Although First Amendment guarantees and the precedent status of a free press are necessary to ensure human rights, the press has in the past decade moved increasingly toward an adversary position vis-a-vis the criminal justice system. Many conflicts arise simply because of differences in the way the press and the judiciary approach a criminal trial. The press's priority is to obtain information rapidly, whereas the judiciary's is to assure a fair trial. In some instances this conflict of interests has not only affected the trial proceedings, but has also created difficulties for enforcement agencies. The Wayne Williams case is illustrative. The Atlanta Police Commissioner contends that media disclosures that investigators were studying fibers found on victims' bodies caused a change in the murderer's modus operandi (Atlanta Constitution, 1-7-82, p. 1A; Criminal Justice (Wash., 7(4):179-99, Winter 1980).

Obviously, members of the judiciary system are aware of the difficult trade-offs involved. In 1979 the U.S. Supreme Court stated in its decision on Bennett Company Inc. vs. DePasquale (463 U.S.568 [1979]) that the Sixth Amendment guarantee of a public trial is for the benefit of the defendant alone and does not give the press and the public a right of access to pre-trial criminal proceedings. In this instance, the Court's decision was based on an assessment of competing societal interests and a recognition that the public's right to know can conflict with other fundamental rights. Unfortunately, reconciliation of First and Sixth Amendment provisions is still a matter of judgment, so that further conflicts can be expected in the future.

Delays encountered in processing civil and criminal cases is another area of concern. These delays have important repercussions—denying defendants some of their rights, affecting crime deterrence, and frustrating a host of participants (witnesses, victims, and jurors). The problem of court delay is highly complex, and experience has shown that it seldom responds to procedural tinkering or the addition of more judges. A number of studies have found that delay is a function of established expectations, practices, and informal rules of behavior of judges and attorneys. Thus, most structural and tactical variables fail to explain interjurisdictional differences in the pace of litigation, and court delay remains resistant to remedies based on court resources and procedures (Judicature 65(2):56-75, Aug. 1981).

While delay can breed cynicism about justice and hamper the effectiveness of the system, it may not always be desirable to change court procedures solely to improve the speed and efficiency of trials. Delay reduction programs may reduce the "quality" of the justice system (for
example, by creating inappropriate pressure for defendants to engage in plea bargaining). Furthermore, different participants in the system have competing interests with regard to the pace of resolution of cases. Continuances, postponements, excessive demands for discovery, motions for removal to another court, and amendending pleadings are all inherently time intensive but may not cause client dissatisfaction (Judicature 65(2):86-115, Aug. 1981).

Of greater concern, however, is that increasing caseloads, especially in federal courts, could lead to a conversion of these courts from deliberative institutions to processing casesthat is, from judicial to bureaucratic institutions. As caseloads increase, judges have less time to reflect and communicate with each other, reducing their ability to reach collegial decisions and resulting in less predictable laws and a wider range of conflicting opinions. The increased load in many federal courts has meant that many law clerks have become, as one author noted, "para-judges" insofar as their drafts form a major part of a judge's opinion. This dilution of judicial responsibility could erode the integrity of the law and, ultimately, the effectiveness of the courts (Notre Dame Lawyer 55(5):648-59, June 1980).


IV. NORTH AMERICA

Grupo Industrial Alfa - Mexico's largest private conglomerate, Grupo Industrial Alfa, has had to be rescued from serious financial difficulties by a loan from Bancores, the state public works bank. Alfa, considered the symbol of Mexico's economic boom and a model of Latin American capitalism, experienced tremendous expansion from 1974 to 1980; assets, sales, and the workforce increased dramatically. In 1980, though, productivity and net profits decreased significantly, while external debt increased to over US$2 billion. Further losses were mitigated by heavy government subsidies and the high productivity of the most dynamic of the firm's diverse holdings, which in 1980 included 30 companies ranging from steel manufacturing to television and tourism (J. Commerce, 8-12-81, p. 10; Latin American Wkly. Report, 10-30-81, p. 5).

The rapid expansion and diversification is viewed by many as the reason for Alfa's current dilemma. Critics claim that the expansion was excessive, unplanned, and irrational, and was accompanied by unsound financial speculation and excessive bureaucratization. Their harshest criticism is aimed at what they see as government complicity. They claim that the Bancores loan—originated by the company and given to the private firm—was technically illegal and was given at preferential rates to maintain a firm that was technically bankrupt. The loan not only represented a significant percentage of total government loans granted in 1980, but resulted in a reduction of funds available for social development programs (Excelsior, 11-5-81, p. 4).

These claims are countered by arguments that the Bancores loan to Alfa was made for purely economic reasons and was given at commercial rates. The firm has also been subject to unfavorable general conditions such as the rise in worldwide interest rates, a surge of imported goods, and the rapid growth of the Mexican economy. Alfa's latest actions indicate that they do consider the situation serious and that some recourse is necessary. Austerity measures were taken that included the dismissal of 2,000 executives and the dropping of
unprofitable subsidiaries. The most significant change has been replacing members of the García Sada family, who dominate the board of directors, with a new managing director and management team from outside the family. Management is expected to be more centrally directed and conservative but more open (N.Y. Times, 10-21-81, 9: 10; Excelsior, 11-5-81, p. 8A; Latin American Weekly Report, 12-10-81, p. 6).

The Belebradas loan to Aifa is indicative of a gradual change in the government's attitude since López Portillo replaced Luis Echeverría as president in 1976. The Alliance for Progress, proposed by Portillo, symbolizes the more open cooperation between private industrialists and the government. The government is dependent on the financial support and political goodwill of the industrialists to meet its pressing development needs. Recognition of this need has previously not been as public (Los Angeles Times, 7-15-79, p. Supplement 13).


Y. EDITORIAL

U.S. AUTO INDUSTRY - Declining sales, the erosion of market share by foreign competition, rising unemployment: such are the symptoms of sickness in the auto industry that Congress, the administration, and the Federal Reserve are being asked to cure. Despite the drop of the prime interest rate from more than 20% to less than 16% during the last year, U.S. auto sales have not returned to 1978 levels (N.Y. Times, sec. 12, 1-10-82, p. 37). High unemployment levels are masked by temporary plant shutdowns and elimination of shifts. Despite an agreement with Japan to reduce its auto exports by 7.7% of 1980 levels, its share of the declining U.S. market is expected to rise to 19%, (Automotive News, 12-28-81, p. 5; 12-7-81, p. 11).

Factors underlying the U.S. auto industry's decline are well known: high wages and benefits are making the U.S. less competitive than Japan and many LDCs in this labor-intensive industry. Whereas Ford's and GM's labor costs average about $20 per hour, those of Japanese producers total only $12 per hour, giving them a $1500 per-car cost advantage (N.Y. Times, sec. 12, 1-10-81, p. 37). This difference constitutes one reason for the continued increase in U.S. auto prices (up to an average of $9200 in 1981, vs. $7675 in 1980), even as recession dampens demand.

A second factor contributing to growing costs is government regulation, particularly environment standards. Congress is being asked to deal directly with this factor as it votes on renewal of the Clean Air Act. In addition to a general relaxation of emission and safety standards, it is considering a proposal to allow manufacturers to comply with current standards by averaging diesel particulate emissions across an entire engine family (Automotive News, 12-28-81, p. 1; 11-23-81, p. 4).

A third set of underlying factors links the industry's lack of competitiveness with direct and indirect government subsidization. Since 1960 government has played a key role in the growth and sustenance of the auto industry. State governments developed a system of paved roads that were instrumental in the industry's growth and eventual replacement of railroads as the leading means of transportation. Since World War II, the federal government's role has waxed. It financed a large portion of the interstate highway system. Federally underwritten low-cost housing credit helped double the car market by spurring a population shift to the suburbs. Here people, services, and jobs were too dispersed to be served efficiently by the sorts of cheap mass transit
that had been developed for concentrated urban populations, and two cars per family became a necessity. During the 1970s federally-imposed oil price controls helped sustain demand for fuel-efficient cars, thus allowing U.S. manufacturers to proceed with "business as usual" despite a fundamental change in energy conditions. The Chrysler loan "bail-out" was only the most patent expression of a long history of government subsidization of an industry that has been growing increasingly oligopolistic since World War II.

Less clear than the etiology of the auto industry's current malaise are the prognosis and treatment. In addition to the congressional proposals, the administration could renew the kind of "jamping" done by Treasury Secretary Regan in October to persuade the Fed to relax its tight money policies (Ward's Auto World, 11-81, p. 29). It could also increase its pressures on Japan to continue or expand its current export restriction agreement (Automotive News, 12-7-81, p. 1). Whatever course is pursued by Congress and the administration, decisions should be informed by concern for the body politic (and economic) as well as for the auto industry and by a perspective longer than the current term or annual report.

If regulations, for example, were relaxed, the effects would be beneficial in the short-run to labor and business directly involved in auto manufacturing, but the quality of life for most citizens would deteriorate as pollution levels rose. Moreover, in the longer run even most of those in the U.S. auto industry would not gain: The averaging proposal would favor large manufacturers, such as GM, with wide product lines and would thus encourage further concentration; general relaxation of standards for diesel vehicles would favor GM and a number of foreign producers who have already committed themselves to diesel technology (Automotive News, 11-23-81, p. 4; 12-28-81, p. 1).

Similarly, protectionist policies seem unlikely to improve the industry's efficiency. Japan's market share has risen despite the export restriction agreement. Now Japanese manufacturers are turning to higher-profit luxury car markets, heretofore dominated by Americans, as a means of offsetting lower-than-expected economy car sales. Even pressuring the Japanese to lower their wall of product standards, testing requirements, and other non-tariff barriers is unlikely to help Americans expand their share of the Japanese market: American and European cars have a reputation for high cost and low quality. Moreover, the Japanese auto industry has become international and thus increasingly beyond government control; successful multinational corporations will continue to act from an international perspective, e.g., moving production divisions to low-wage countries. Ford and Volkswagen recently decided to try to penetrate the Japanese market by producing and marketing their cars through Japanese firms in order to lower costs and improve their image. Volkswagen even plans to export some of these Japanese-assembled autos.

It is time for policymakers to consider the auto industry in terms of comparative advantage and product life cycle and, more importantly, to assess the role of government vis-a-vis declining industries. At present the only policy instrument designed to ease structural transition for industries being permanently displaced by foreign competition is the Trade Adjustment Assistance Act. Based toward workers, it has not induced most to relocate to regions with better job prospects. Furthermore, this act is too limited in scope to effect the kind of major adjustment that the auto industry probably must undertake. In the future, government industrial policies in general must give more attention to the process of removing government supports and incentives once subsidized industries achieve "take-off," and to mollifying yet facilitating the contraction of industries which have entered the mature phase of their product-life cycle and have shifted to a comparative disadvantage in the world economy. A "ratchet" effect seems to hold in regard to government assistance. In our pluralistic system, where government power is diffused rather than unified and coordinated, policymakers find it easier to distribute burdens across society in the form of higher taxes or inflationary pressures through budget deficits than to face the political pressures from a single group forced to shoulder the entire
burden. While such policies seem equitable, in the long run society as a whole suffers an ever-growing aggregate cost of higher taxes and prices and an opportunity cost arising from deferred or indefinitely postponed industrial changes and development.


