No easy solutions to the dilemmas of information overload and fragmented power are available, but progress must be made on some long- and short-term goals to keep them from worsening. Congress, and the Republic in general, must develop effective techniques for compressing and ordering the ever-increasing amounts of data now available to all citizens. Decision techniques shaped in such complex organizations as the Defense Department and General Electric must be applied to the congressional setting. Democratic decision making techniques practiced in Congress should be adapted to the executive branch on issues involving core responsibilities of three or more agencies. Both types of techniques should be cycled into universities to aid in directing the future research and existing instruction of tomorrow’s citizens. Paralleling these activities, the nation must focus on the need for constitutional revision to modify the separation-of-powers concept. The roles and abilities of each branch evident from historical studies must be appraised against current and future needs. Such studies will probably show that some matters are best discharged by a single branch, with congressional and presidential elections being the ultimate restraint on government excess.

Apart from increased attention on using effective techniques and structures for decision making, the government and its people must better appreciate the relationships between fiscal policy, monetary policy, international arrangements, and domestic affairs. All these matters, however, cannot be dealt with at once. Consensus is developing world-wide that the effect of fiscal policy is pervasive; uncertainty about it creates unacceptable instability in both international and domestic affairs and makes achievement of monetary goals illusive. Admittedly, governments cannot defer many activities relating to monetary policy and domestic and international affairs, but prudence suggests that programs aimed at long-term progress on these matters await a reasonable national consensus on an acceptable range of fiscal policies.

-----Frederick W. Huszagh
The Dean Rusk Center was established in 1977 to foster interdisciplinary research, service, and education concerning trade and investment. U.S. fiscal and monetary policy has been a major focus of Center study because of its increasing impact on international commerce. Other areas of concern include international political and military relations and various types of social and cultural exchanges. The Center recognizes, however, that the internal affairs of nations remain the major determinant of international relations and that domestic concerns about the value of the society, its social dynamics, and the availability of resources will continue to vie for dominance in determining a nation’s posture in world affairs. Thus, much of the Center’s work dwells on domestic events and different disciplinary explanations of their presence and evolution.

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

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

FISCAL - THE BALANCED BUDGET AMENDMENT

A politician’s nirvana is a state where complex issues are susceptible to a simple, politically acceptable solution that suits the majority mood of voters and whose negative implications appear only when the elected officials have departed office. The American public’s concern over a seemingly uncontrollable federal budget deficit has not been lost on the president or Congress. On August 4, the Senate passed Senate Joint Resolution 58, a proposed 27th amendment to the Constitution written by Milton Friedman, among others, which would require Congress to adopt a balanced budget each year unless 60% of both houses voted otherwise. In addition, tax receipts would not be permitted to rise faster than national personal income unless a majority in Congress and the president concurred in overriding this stipulation. The timing of the bill has a certain irony: the Senate began considering it a scant three weeks after approving a budget with the first triple-digit federal deficit projection in the nation’s history (Chir. Sci. Mon., 7-13-82, p. 1+; Wall St. J., 7-13-82, p. 5; N.Y. Times, 7-16-82, p. 9; Congressional Qtrly. Wkly. Rep., 7-17-82, p. 1731; 7-22-82, p. 111).

President Reagan has publicly supported the proposal for a balanced budget amendment. Many see this as an effort to revive the American animosity toward big government that assisted his election in 1980. Congress, for its part, has been concerned by efforts of the National Taxpayers Union to get state legislatures to convene a constitutional convention to consider the matter. Thus far, the Union has accumulated 31 of the 34 resolutions needed. The possibility of a convention is unnerving to Congress because of the uncertainty that the convention would confine itself to one topic. Notwithstanding these developments, strong opposition to the proposal has arisen in the House. Peter Rodino (D-N.J.), chairman of the House Judiciary Committee, is currently refusing to release the amendment, prompting Republicans to circulate a petition aimed at discharging the amendment from committee. Even if the
amendment should pass Congress, it would still have to be ratified by 38 states—a prodigious enterprise that could take years (N.Y. Times, 7-16-82, pp. 9 & 24; U.S. News & World Report, 4-5-82, p. 84; Fortune, 6-14-82, p. 77).

In its simplest form, the balanced budget objective is grounded in the notion that government decision making should balance both costs and benefits of expenditure decisions on a yearly basis. Widespread public support for the proposal stems in part from the logical understanding that people have of their own financial affairs. For most, "balancing the books" must occur at regular and frequent intervals.

From an academic perspective, the historical record since World War II shows that traditional systemic constraints on federal spending patterns have failed. Some political scientists argue that fiscal growth since 1965 has not necessarily been a democratic response to public demands. Rather, the political sector has an internal dynamic of its own, subject only to indirect and incomplete electoral control. Whereas public sector growth in the 1960s was retarded or accelerated by the strong ideological underpinnings of a two-party system, engineering expenditure reductions today is extremely difficult because party politics has largely been replaced by the personal politics of individual candidates. The plethora of politically active special interest groups has led to an array of claims on the federal budget that cannot be prudently satisfied but are impossible to deny. Once benefits have been granted, no group is willing to sacrifice its benefits without assurances that others will sacrifice theirs. Proponents of the balanced budget amendment argue that American politics has become an accommodation mechanism in which it is easier to raise revenues through borrowing than to reduce expenditures. The balanced budget amendment is seen as a means of restoring accountability to decision makers, thus reducing their tendency to impose long-term costs on the economy in exchange for short-term benefits to themselves (American Enterprise Institute, 1980:125-44; Hearings, 1980).

Serious criticism of the balanced budget requirement has also been made. Some opponents consider it irresponsible for the president and Congress to engage in what they view as political posturing over so serious a matter as the Constitution. The purpose of a constitution in a democratic society is to embody fundamental principles, not to serve as a device for bypassing deadlocks encountered in the normal political process. Thus, decisions to alter the Constitution should not be made as an overly pragmatic or emotional response to particular situations. A major criticism of the proposed amendment is that it writes a contemporary economic policy into the Constitution.

A more cogent argument against the amendment is that government outlays and receipts depend on matters beyond congressional control. Outlays, as they are presently structured, depend heavily on changes in economic activity. An unexpected rise in oil prices or unemployment, for example, could add billions to federal spending. Mandating a balanced budget thus reduces the government's flexibility to respond appropriately to changing economic circumstances and thus the risk of turning a recession into a depression. Responsible fiscal policy requires more than simply cutting expenditures or raising taxes by the amount of a prospective deficit, because the action itself would further retard economic activity (American Enterprise Institute, 1980:80-100).

Numerous practical problems could arise with a balanced budget amendment. First, the kinds of expenditures that can be part of the "budget" are not fixed. For example, a large number of loan programs included in federal programs are not considered "budgetary" items; they are "off budget." Nothing presently prevents the expansion of this practice. With a balanced budget requirement, critics argue, the tendency would be not only to move expenditures off budget but to achieve desired social ends through practices more wasteful and inefficient than direct federal funding. If, for example, a national need for unemployment compensation existed but could not be provided through federal allocations, Congress could require that firms pay unemployment compensation as they lay off workers. The social intent would thus be achieved; however, payment would be borne, not by society at large, but
by individual companies least able to do so at the time. In order to stabilize national revenues, the government would also have a major interest in finding taxes that do not decline in a recession. Taxing wealth and property would probably expand, because their value does not fluctuate as sharply as does income (Hearings, 1980 & 1981).

Serious concern has also been expressed that the amendment could mean more frequent legislative standoffs, leading Congress again to seek nonbudgetary mechanisms to resolve the deadlock. Accounting specifications could be both voluminous and open to judicial interpretation. In addition, accounting specifications, which could be voluminous, would be open to judicial interpretation. As the courts were called upon to apply the amendment’s language to myriad unforeseen circumstances, they would assume substantial new powers in determining tax and spending policies. This, in turn, would alter the 200-year-old structure of the Constitution, which has distributed authority over taxes between Congress and the executive branch.

The issues surrounding debate over the balanced budget amendment are very complex. While some opponents argue that no precedent exists for incorporating economic policy into the Constitution, taxation itself stems from the acknowledged constitutional constraint against taking resources from citizens without due process of law. A constitutional amendment (the 16th) was required to grant government the discriminatory tax treatment embodied in the progressive income tax. Nevertheless, the Constitution needs protection from the orthodoxy of the moment. The Constitution does now and should continue to define the processes, patterns, and limits of government. That it should also define the product of government is subject to serious question. For all the diverse issues at stake, however, the balanced budget amendment has clearly focused attention on government spending and the need to establish fiscal constraints. This alone may be its most important contribution (Tribe, 1979).

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II. INTERNATIONAL ARRANGEMENTS

ECONOMIC/COMMERCIAL - EXPORT CREDITS

Trying to offset what it sees as unfair subsidization of agricultural exports by the European Economic Community (EEC), the Reagan administration recently increased export credits for U.S. farm products by $300 million. The move, designed to raise U.S. food exports and improve the balance of trade, brings the total authorization for export credits to $2.8 billion. The practice of subsidizing exports by offering easy credit terms to purchasers is a source of friction among the 24 Western industrialized nations comprising the Organization of Economic Cooperation and Development (OECD). Administration officials recognize that expanded use of export credit subsidies could trigger costly trade wars; but since the General Agreement on Tariffs and Trade (GATT) does not directly control agricultural subsidies, the government has gone ahead with the increase. If a trade war should result, the administration hopes it will have the long-term beneficial effect of prompting OECD members to abolish the granting of export credits (J. of Commerce, 7-15-82, p. 11A; 7-14-82, pp. 1f; Bus. Wks., 6-28-82, pp. 47f).

Despite more than 50 years of argument within the OECD over the role of export credits in world trade and over what constitutes unfair use of credits, the practice of providing low-cost financing for export purchases continues. Indeed, in a stagnant world economy, exporters’ demands for financing and loan guarantees have increased. An OECD agreement does purport to regulate the provision of credit subsidies.
The International Arrangement on Export Credits provides a procedure for prior consultation among members on specific cases and defines requirements for minimum down payments, interest rate levels, and repayment periods for different classes of countries. As renewed on June 30, the Arrangement sets a minimum interest rate of 10% for poor countries, while increasing the rates for middle-income nations from 11% to 11.5% and for rich countries from 11% to 12.5%. In addition, several countries previously defined as low-income were "promoted" to middle-income. These include Mexico, Brazil, South Korea, and Taiwan— all heavy purchasers of capital goods. Eastern European nations, formerly classified as middle-income, are to be treated as rich nations (Euromoney, 9-81, pp. 1024; Economist, 7-3-82, pp. 59). 

That the agreement exists does not mean its terms are honored. In fact, violations are frequent. The Canadian government recently provided financing at 9.75% for the New York transit authority's purchase of subway cars from the Canadian Bombardier Company. While American officials acknowledge this deal violates the OECD Arrangement, they found that Canadian financing was not the primary factor in the purchase decision. The U.S. Export-Import Bank thus will not use its statutory authority to provide matching support for the American Budd Company's bid (Wall St. J., 7-14-82, p. 2; J. of Commerce, 7-14-82, pp. 1). 

Imaginative ways have been found to avoid Arrangement guidelines. One method, a French innovation which has gained popularity in other nations, is to offer customers mixed credits—a combination of development aid and export credit subsidies. The old portion, rarely exceeding 55% of the total, is often used to cover the down payment or local costs. In France the loan element is usually for 20 to 30 years at interest rates of 3-3.5%. Japanese is a frequent violator of the Arrangement, because its domestic interest rates are lower than agreed-upon minimums. The U.S. Export-Import Bank also breach the Arrangement by offering very long credit terms to compete with French offers of mixed credits (Economist, 7-14-82, pp. 784; Euromoney, 9-81, pp. 1024). 

The importance of export credits and their effect upon nations which do not or cannot offer competitive financing are great. For many deals, the financial package can be more significant than the quality or price of goods. In 1980, the U.S. gave official support to 18% of its exports, the French 34%, the British 33%, and the Japanese 39%. Minimal support from the U.S. was a major contributor to its estimated loss of over a billion dollars in 1979 exports (Economist, 7-14-82, pp. 78; Hearings, 1980:66-122). The Reagan administration, however, is philosophically opposed to government-supported trade subsidies and hopes to bring them to an end. Such subsidies are seen as dragging down free world trade. When the U.S. does provide export credits, it is often an attempt to offset subsidies provided by other nations. By neutralizing the advantages of subsidization, the U.S. can mitigate the economic resources distortion that otherwise occurs and perhaps ultimately persuade others to abandon the practice (Hartland-Thunberg 1982, pp. 17-36). 

But with a serious recession facing all OECD nations, exporters everywhere are competing more vigorously for scarce orders to maintain profits. High interest rates have caused both exporters and buyers to place great pressure on governments to subsidize credit so trade can continue. When declining employment and balance-of-payments difficulties are factored in, governments understandably succumb to the pressures, although they may continue to advocate free trade (Investors Chronicle, 4-9-81, p. 568; Euromoney, 9-81, pp. 1024). 

Several arguments support the U.S. view that export credit subsidies are unnecessary and even harmful. One is their massive cost. The burden of supporting fixed-rate, inexpensive export financing, which cost OECD countries $2 billion in 1978, has grown corresponding with the rise in interest rates. Although most public export financing institutions were designed to operate at no cost to taxpayers, they presently operate at a loss. In countries like the U.S., where the government is trying to restrain deficits and revalorize the economy, these losses are both incongruous and counterproductive (Euromoney, 9-81, pp. 1024).
Adding to the problem of cost is the distortion of the market economy through government intervention. When governments step in to guarantee loans, less attention is paid to the potential profitability of the project and more to the guarantee itself. In expanding export credits, governments have rushed their goods into risky new markets, with the result that bad debts held by export financing institutions have soared, adding to the high cost of operations (Dorrance, 1981; Economist, 7-14-82, pp. 78+).

Although one argument for the continuing export credits is that they ease the debt burdens of recipient less-developed nations (LDCs), thus aiding their development, the U.S. points out that the countries most frequently using credits are those least in need of them, such as oil-rich nations. In addition, market distortions can have an adverse impact upon recipient as well as exporting nations. When lenders do not consider the productivity of the investment, resources can and have been wasted in unfruitful ways. LDCs may be lured by lower interest rates into making marginally useful purchases, thereby preventing resources from being utilized in more productive projects (Hearings, 1981, pp. 17-36; Dorrance, 1981).

Unless U.S. pressure tactics are successful in bringing change, the provision of export credit subsidies will continue. The path of change is unlikely to be smooth or easy. Indeed, such programs are so institutionalized that they have acquired a momentum of their own. Government outlays are increased for exports while other programs are cut back. Supporters of free trade find themselves advocating the use of subsidies in order to stay competitive. Even in such a climate, however, OECD nations must consider carefully the utility and effect of these programs.


POLITICAL/MILITARY - THE WEAKENING OF ARAB UNITY

The power and unity demonstrated by Arab states in the early 1970s is now in question. Dissension among Middle East oil-producing nations brought on by the worldwide oil "glut" is one cause of strained Arab relations. For the first time since the late 1960s, less than half the noncommunist world's oil is coming from the 13 member nations of the Organization of Petroleum Exporting Countries (OPEC). The economic strain on OPEC nations has been great. At a recent meeting in Vienna, OPEC's production ceiling of 17.5 million barrels per day had to be abandoned because some members refused to stay within their production limits (U.S. News & World Report, 7-12-82, p. 21).

While self-centered national goals, a weak military, and a lack of leadership all contribute to current Arab problems, the world is witnessing in west Beirut another contributor to Arab disunity. Trapped by Israeli troops, thousands of Palestinian guerrillas from the Palestine Liberation Organization (PLO) have been waiting for Arab nations to be instrumental in negotiating the evacuation of Palestinian military personnel. At one point Syria, Egypt, Jordan, and Iraq seemed ready to offer refuge to the guerrillas. However, Syria's refusal to offer asylum until the Israelis agreed to leave Lebanon and the unwillingness of other Arab nations to welcome the PLO have prolonged the crisis in Lebanon (N.Y. Times, 8-8-82, p. 1). Both Syria and Libya have criticized conservative oil-producing Arab nations for not increasing economic pressure on the U.S. to bring about a resolution of the conflict.
To many Arab nations, especially conservative ones, the PLO presents an embarrassing dilemma. Although sympathetic to the Palestinian cause, Arab states fear both the PLO's radicalism and Israeli revenge should they provide the PLO a base. Problems associated with the organization are intensified by its diversity -- the organization is actually eight individual groups often working at odds with one another. Even though Arafat's Al Fatah has made attempts to control other PLO groups, the small left-wing factions have weakened PLO diplomatic efforts and acted as a hindrance to U.S. and European peace efforts in the Middle East. Many conservative Arab states worry that a left-wing group may emerge as a more ruthless leader, further dividing the PLO and Arab support (U.S. News & World Report, 7-12-82, pp. 20+).

While the PLO presents international political problems for Arab states, Palestinian refugees within their borders are a domestic concern. Thousands of wandering Palestinians provide an unpleasant reminder to other Arabs of their failure to prevent the establishment of Israel some 39 years ago. Further, the presence of the refugees causes problems for Arab governments over work permits, nationality, and legal jurisdiction. When Palestinians settle, governments are often faced with discontented citizens. In Lebanon Palestinians upset the Christian-Muslim power structure. Other nations, especially Kuwait, having welcomed Palestinians into their labor force, later became resentful of their developing dependence on the settlers (Economist, 7-3-82, p. 20). Moreover, Palestinians are not eager to accept the leadership of the Arab state they inhabit. Conflicts in the past between resident Palestinians and the governments of Syria, Jordan, Saudi Arabia, and Iraq are convincing evidence to many Arab nations that the Palestinians are too difficult to please. They are now cautious about allowing an uncontrolled population of Palestinians within their borders (Rodinson, 1979; U.S. News & World Report, 7-12-82, p. 21).

The fact that Palestinians have been a source of domestic stress for a number of Arab countries has had a profound effect on the ability of Arabs to pursue the goal of regional unity, a fundamental principle in the formation of the League of Arab States in 1945. By recognizing the validity of national goals, yet emphasizing unity, the organization increased its membership from seven to 21 independent countries and Palestine. League nations now comprise a total land area one-third larger than the U.S. with a combined population of 154.5 million and a gross national product of $1 trillion. Implementation of ideas and policies depends on each nation's individual commitment to them. Having a single vote, every member nation must decide on issues of political strategy, security of the area, and economic, social, and cultural cooperation (Arab Perspectives, 5-82, pp. 26-29).

Despite the goal of regional unity, conflict among Arab states has been prevalent since the formation of the League. In the 1950s and 1960s, the nations confronted three primary problems: (1) the type of political system most suitable to an Arab state, (2) the choice of alliances with superpowers, and (3) policies regarding the Palestinians. Adopting a middle-of-the-road position with superpowers and realizing that different types of regimes could exist among Arab states proved to be a winning strategy for the nations in the early 1970s. Although the problem of how to deal with the Palestinians remained, unity regarding the issue was evident in 1970 when the PLO was threatened in the Jordanian civil war. At that time Egypt, considered the League's leader as well as its military strength against Israel and Iran, successfully galvanized the Arab nations to handle the situation (Khoury, 1982; N.Y. Times, 7-16-82, p. 3).

Absence of this kind of leadership now hinders the emergent unity among Arab states. Egypt was suspended from the League in 1979 because of its separate peace with Israel, and no other nation has filled the resulting power vacuum. At a League meeting in late June, only 9 of the 22 foreign ministers attended to develop a strategy to end the Lebanese crisis. A number of Arab leaders -- e.g., President Saddam Hussein of Iraq and President Hafez al-Assad of Syria -- came to power by force and are more concerned with retaining their regime than creating a unified Arab world (N.Y. Times, 7-16-82, p. 3; Arab Perspectives, 5-82, pp. 26-29).
In addition to being unable to develop a common plan for dealing with the Palestinian issue, Arab nations have not joined forces to support Iraq in its war with Iran. Saudi Arabia and other oil-producing Arab states, threatened by Iran did provide $24 billion in financial assistance to Iraq, but the Arab nations have been unwilling to commit their own troops in a united military effort to stop the advancing Iranians (N.Y. Times, 7-16-82, p. 3). Religion is one source of Arab reluctance to become involved in the war. The revival of Islamic fundamentalism sweeping through the Middle East has made many young Arabs sympathetic to the Ayatollah Khomeini’s Islamic revolution in Iran (Khoury, 1982; Wall St. J., 7-16-82, p. 16).

The unity of purpose that appeared in the last decade has clearly been shaken by a multitude of events, both domestic and international, and prospects for unity in the 1980s appear bleak. Whatever the negative impact of other factors, however, the fate of the Arab nations in the 1980s will depend to a large degree upon finding a solution to the Palestinian problem.


III. DOMESTIC ISSUES

HUMAN DYNAMICS - SPAIN: POLITICAL PARTIES AND REGIONAL ISSUES

The party that led Spain from authoritarianism towards democracy after the death of Francisco Franco in the mid-1970s is in trouble. This month its second president in less than two years resigned. Leopoldo Calvo-Sotelo had earlier tendered his resignation, but it was not accepted the first time. The parliamentary speaker, Landelino Lavilla, whom Sotelo nominated as his replacement, was duly voted in by a majority of the Center party’s parliamentary members. However, the selection of a new leader is overshadowed by conflicts within the ruling party (Wall St. J., 7-15-82, p. 34; Economist, 7-17-82, p. 41).

The Center party (officially, the Union of the Democratic Center, or UCD) was originally a coalition of 13 different parties comprised of liberals, conservatives, and Christian and Social Democrats. Upon coming to power in 1977, it captured 34% of the vote, with its closest rival, the Socialist Workers party, claiming 28%. It at first tried to deal vigorously with Spain’s two most pressing problems — an ailing economy and regional desires for autonomy. In October 1977 the Center joined forces with other parliamentary parties in signing the Moncloa Pacts to provide a constitution for Spain which would, it was hoped, support modernization through political stability and rectify economic ills through various reform measures (Economist, 7-10-82, pp. 41; McMillion, 1981).

The Moncloa Pacts were only minimally successful. Inflation is down from 26% to 14%; but solid economic growth has not been achieved, and political stability remains a question. The fortunes of the UCD have declined as a result, and disension weakens its power (McMillion, 1981). Adolfo Suarez, credited with leading the UCD to victory in 1977, was forced to resign as prime minister in January 1981 because of opposition from the UCD conservative faction and the military (Economist, 7-10-82, pp. 41). Now his successor is gone as well, and the conservatives are threatening to join the right-wing Popular Alliance party. Supporters of Suarez meanwhile contend that if the new party head is overly accommodating to the conservatives, they will leave with Suarez to form their own party. The continual conflict among factions of the UCD adds validity to claims that the Socialists may be victorious in the next elections (Economist, 7-17-82, p. 41; Carr & Fusi, 1979).
The turmoil in Spanish politics could require that elections take place within the next several months. Most political parties believe that strength and victory can come only through coalitions. The difficulty is finding compatible partners. In March 1981 the Socialist leader Felipe González proposed a coalition between his party and the UCD to give a majority of 204 in the 350-seat Congress of Deputies; but the UCD refused on grounds that the diversity among its own membership would prevent a coalition (Giles, 1981). If Suárez does enter a coalition with the Socialists, as now seems likely, such a union might reassure the military and public that the Socialists will not deviate too far toward radicalism, and it could help the Socialists as well. González must presently control the Marxist wing in his party and convince foreign corporations that doing business in Spain under a Socialist government will remain a wise investment. In the face of mounting opposition, the UCD may decide that its only hope at the polls is to form a coalition with the conservative Popular Alliance (Economist, 7-17-82, pp. 39+; 7-10-82, pp. 41; 7-17-82, pp. 41+; Bus. Wk., 7-19-82, pp. 77+).

Whatever coalition or party proves victorious at the polls, the social and economic problems remain the same. Internationally, the elected party must establish Spain's position in European affairs. Though Spain officially joined the North Atlantic Treaty Organization (NATO) on May 30, such remains to be done to work out its role in that organization, both in what its contribution will be and how it will benefit. In addition, Spain is in the process of seeking admission to the European Economic Community (EEC) over the strong opposition of the French, who fear Spanish entry will negatively affect their agricultural sector (Economist, 6-5-82, pp. 47; 7-17-82, pp. 64; 7-3-82, p. 99). Though the Socialists have expressed disapproval of Spanish membership in NATO, the consensus in the center party and among political conservatives is that integration with the rest of Western Europe will not only improve national security, but also promote democracy through Spain's closer association with other democratic nations. The present political situation could, however, retard Spain's full participation in both organizations.

Internally, the government must work out two of its most nagging domestic problems -- the disparities among regions, and the conflict between the desire for regional autonomy and the need for national unity (Bus. Wk., 7-19-82, pp. 77+). While ethnic and cultural differences have historically served to make Spain's 13 provinces distinctive, those differences have been exacerbated by attempts dating from 1959 to solve Spain's economic problems. In that year the World Bank and the Organization for Economic Cooperation and Development organized the Stabilization Plan, which stressed Spanish economic growth through international integration. One aspect of the Plan was to divide Spain into industrial (north and east), nonindustrial (south), and intermediate (central and west) regions. As industries focused on business outside Spain's borders, however, the government's ability to influence regional development was reduced; and the regional divisions introduced disparities between different parts of Spain (McMillion, 1981).

Internal migration from the central and southern regions to the industrial centers of the north, particularly Catalonia and Basque-Navarra, became common and remain so today. Emigrants are usually young workers with families. Regions thus suffer from a social disparity, as well as economic division: Industrialized areas have a high concentration of young workers, while the elderly remain in the agricultural areas. With 40% of the national budget currently earmarked for social expenditures, the situation has created much conflict over government spending for social services -- specifically, its policy of redistributing regional tax receipts (McMillion, 1981).

That policy on tax redistribution was made intentionally vague in the Spanish constitution has fueled the conflict. Residents of Catalonia argue that taxes transferred out of their region should instead remain in the area to help compensate for the rise in population. Since 1974, approximately two-thirds of the 1.5 million Spanish workers who had held jobs outside the country have returned to Spain because of the enforcement of strict labor laws throughout the EEC. The majority of returning workers have flocked to the industrialized regions in search of employment (Wall St. J., 5-3-82, p. 27; McMillion, 1981).
The plight of the nonindustrial regions is more severe. For example, Andalucia, the southernmost province, has been the site of hunger, violence among landless workers, and the highest unemployment in Spain (20%). Andalusians are frustrated to the point of revolt with what they consider the exploitation of their cheap exportable labor and raw materials. The hunger strike of 1,200 adults and children in the village of Marinaleda, the burning of crops, and violent demonstrations reveal a population dissatisfied with UCD attempts — or lack thereof — to solve the region’s problems. If properly utilized, Andalucia could be the most productive agricultural area in Europe. Unemployment and emigration, instead, have convinced Andalusians that they, rather than the ruling national party, can better decide what is best for them (Stewart, 1981). Demands for some form of regional autonomy, which has already been granted the Basque country, are becoming more pronounced among Andalusians, as well as other provincials.

Besieged by rivalry and disension, the UCD has been unsuccessful in governing Spain from a politically central position. In recent elections in both the industrial and nonindustrial regions, the UCD was badly beaten by parties to both left and right. The prognosis for the future is that factions breaking away from the UCD will regroup and form parties on either side of the center. In addition, it now seems that the Socialists have the best chance of capitalizing on the failures of the UCD in the next elections. While both extremes of the political spectrum have moderated their positions somewhat (Economist, 5-12-82, p. 57), the question remains whether new coalitions will maintain moderate positions or be pulled back toward political extremism, leaving a power vacuum at the center and an excuse for the military to intervene (Ch. Sci. Mon., 7-19-82, p. 5; Economist, 6-12-82, p. 60).


IV. NORTH AMERICA

MEXICAN UNEMPLOYMENT-Mexico's recession is forcing employment cutbacks in both the public and private sectors. Grupo Industrial Alfa, Mexico's largest private firm, laid off 10,500 employees in June. Ford Motor Company's Mexican subsidiary plans to reduce personnel by 9,000 during the next few weeks. In addition, the Construction Industry Chamber predicts a decline in the number of construction workers from 1,350,000 in 1981 to 850,000 in 1982 (Latin America Regional Reports, 7-9-82, p. 8; Newsweek, Int'l. ed., 7-5-82, pp. 1-11). In the public sector, new cutbacks aimed at controlling the country's runaway 60% inflation rate will halt all public works projects, which have been an important means of job creation. Unfortunately, the consequences of Mexico's unemployment are either internal migration to already overcrowded cities or illegal migration to the U.S. (Latin America Wly. Reports, 5-14-82, p. 8).

According to the labor ministry, Mexico's official unemployment rate is 3.5-5.5%. Research groups attack this low figure, however, claiming that since Mexico has little unemployment insurance, few Mexicans have reason to register as unemployed. Also, labor ministry figures do not take account of the 50% of Mexico's poor who are underemployed (Latin America Regional Reports, 7-9-82, p. 8). These people eke out a living in what is known as the informal sector—selling produce, shining shoes, making handicrafts or tortillas, cleaning and cooking in houses or hotels, working as temporary heavy manual labor, or serving informal enterprises which make such goods as clothing or shoes or repair anything that can be fixed. In this part of the economy wages are well below published minimum government standards, and other accoutrements of industrialization, such as overtime pay, job security, and fringe benefits, do not apply (N.Y. Times Magazine, 7-4-82, pp. 164; Portes & Walton, 1981).
Although problems of unemployment and/or underemployment in the cities are serious, the situation is worse in the countryside. During peak seasons agriculture can employ as many as 10 million people. At other times it can absorb fewer than 3.5 million, leaving the other two-thirds with few options for sustaining themselves and their families. The result has been a continual flow of migrants from the rural to the urban areas over the past several decades. As high inflation rates lower the value of the peso for Mexican peasants, they have added reason to travel to other areas of the country or to the U.S. in search of gainful employment (Yates, 1981). Each day 1,000 rural peasants migrate to Mexico City to find jobs that have been generated by the country's development (Newweek, int'l. ed., 7-5-82, p. 214). If they cannot find jobs in the formal sector of the economy, they join the ranks of the "self-employed" in the informal sector and wait for their chance to move on to something better. Meanwhile most of those migrants live in extreme poverty, suffering from both malnutrition and disease (Weaver & Downing, 1976; Portes & Walton, 1981).

One publication has suggested that increased urban unemployment will force inhabitants of Mexico's overpopulated cities to return to rural communities for part-time agricultural work (Latin America Regional Reports, 7-9-82, p. 8). But most social scientists believe that the trend of the past will not be reversed as Mexico's economy worsens. However difficult life may be in the cities of Mexico, wages there remain higher, education better, and economic growth and opportunity more possible than in the rural areas.

With a population of 67.4 million, 56.7% of which are under age 16, (Qtrly. Econ. Review of Mexico, 1982, pp. 41) Mexico must create 800,000 new jobs per year to meet the growing demand (Alisky, 1981). Because the formal sector of the economy cannot presently absorb these laborers into the work force, the informal sector, providing living conditions of bare subsistence levels, can be expected to grow (Portes & Walton, 1981).

Others unable to find jobs in Mexico will join the 3.5 million to 6 million illegal aliens who work annually in the U.S. The number of migrant workers is expected to increase as the Mexican economy worsens, becoming a much more sensitive issue in Mexican-U.S. bilateral relations. U.S. labor unions claim migrants displace many American workers. Mexican politicians, including President-elect Miguel de la Madrid, argue that migrant workers are necessary to the U.S. economy because they perform menial tasks which many Americans refuse to do (Chtr. Sci. Mon., 6-17-82, p. 3; Newweek, int'l. ed., 7-5-82, pp. 214). Both groups are partially correct in their assertions, demonstrating the complexity of the migrant problem.

While Mexican migration to the U.S. does displace some American workers, the total contribution of migrants to the U.S. economy may be beneficial. Migrants support many economic activities in the Southwest, such as agriculture, food services, and other small businesses. Their nonunionized labor helps keep prices down for goods and services in those sectors. Further, some studies conclude that by the year 2000 the U.S. will have a shortfall of 5 million to 15 million workers for low-skilled jobs because of the upward mobility of blacks and Hispanics. If this is true, migrant workers will be needed to fill them (Cornellius, 1981; Across the Board, 3-82, pp. 54+).

The United States also recognizes the political utility to Mexico of continuing the tradition of migrant labor. Mexico's dominant political party, the Institutional Revolutionary Party (PRI), cannot supply the needed jobs for Mexico's population. If the border separating the two countries were suddenly closed, Mexican laborers, accustomed to the income they earn in the U.S., would threaten the stability of PRI and, along with it, the entire Mexican political system. Policymakers also realize the need to maintain friendly relations with the world's fourth largest oil producer (Alisky, 1981).

Mexican politicians are generally appreciative of U.S. lenience in patrolling the border. They realize that migration helps maintain the viability of PRI and marginally aids Mexico's balance-of-payments.
deficit. More importantly, migration provides many Mexicans with a means of improving their standard of living with relatively little expense to the host country. According to one study, while 70% of migrants contributed to Social Security, federal income taxes, or hospitalization insurance, only 27% used hospitals, 4% had children in U.S. schools, and 3% used food stamps. This suggests that the costs in social services of illegal migrant workers might not be high in comparison to what they contribute (Across the Board, 3-82, pp. 54+; Alisky, 1981).

The United States does have limits to the number of migrants who can be assimilated into the work force. With high unemployment among American citizens, members of Congress are calling for a halt to illegal migrant labor, claiming the U.S. economy can no longer support the influx. Proposed new restrictions in Congress include worker identification cards and penalties for Americans who hire illegal aliens. If these proposals pass without some corresponding "guest worker" increase for Mexican migrant labor, the consequences for Mexico could be catastrophic. Unemployment and poverty would rise, increasing the likelihood that the poor would revolt and destabilize the Mexican government (Chr. Sci. Mon, 6-17-82, p. 3).