

Mexico's classic dilemma looms

By John Coatsworth

Jose Lopez Portillo, Mexico's new president, assumed office Dec. 1 amid growing political tensions, social unrest and economic crisis.

Most of the international press and a considerable body of Mexican opinion expect the new regime to swing quickly to the right, away from the reformist posture adopted by outgoing President Luis Echeverria.

The country's problems are serious enough to invite comparison with Allende's Chile, but the army remains in its barracks (and will probably stay there except for repressive forays against leftwing government enemies). A visit by Chicago economist Milton Friedman will not be necessary; a more respectable delegation from the International Monetary Fund will play that role.

The country's economic crisis is a consequence of the worldwide recession that began in 1971. The Echeverria government attempted to reverse a slowdown in economic growth by expanding the state's role in the economy and by deficit spending with funds borrowed abroad. The result was inflation and a growing balance-of-payments deficit that forced a devaluation of the Mexican peso Aug. 30 and a second devaluation seven weeks later. (The peso had not been devalued since 1954.)

Echeverria's Keynesian economic policies did not prevent the Mexican economy from slowing down. While inflation increased, unemployment was also rising. Mexico does not issue regular unemployment estimates, but reasonable estimates suggest unemployment and underemployment together have increased from 25 percent of the workforce in 1971 to near 40 percent now.

►Classic dilemma of underdeveloped world.

The Lopez Portillo administration thus faces the classic dilemma of governments throughout the underdeveloped world. One option, preferred by the IMF and capitalists both Mexican and foreign, is to cut inflation and stabilize the peso by reducing government spending, while simultaneously taking measures to encourage private investment to stimulate economic growth.



The peso: Fading after holding steady since 1954.

The other option is to pursue some variant of the Echeverria policies, increasing the role of government in the economy and facing the risk of a "Southamericanization" of the country: more inflation, new devaluations and an even-greater decline in private capital accumulation.

The first option in Mexico risks confrontation with a restive population. Relations between the government and the labor movement could deteriorate rapidly if social services were cut back and workers made to pay for stabilization through a wage freeze.

The outgoing administration approved a 23-percent national wage hike in Sep-

tember after the first devaluation. Labor is likely to demand a new increase as inflation has already begun to eat away the September increase.

Unemployment in the countryside has led to largescale invasions of private landholdings in the northern states of Sonora, Sinaloa and Durango, encouraged by expropriation decrees issued by Echeverria in his last days as president.

►Reformist policies bankrupt.

The dangers of the second option, of continuing the reformist policies of the Echeverria administration are also palpable. In response to Echeverria's land-expropriation decrees, a nationwide

"strike" by merchants and industrialists paralyzed business in towns and cities throughout the country.

Far from accepting a further expansion of the state sector, Mexican capitalists are demanding that many of the 500 industrial and commercial companies owned by the government be sold back to the private sector.

Foreign investors are proving reluctant to invest in Mexico until assurances are given, in the form of reduced government spending, that the peso will not be devalued again.

To increase its foreign currency earnings, Mexico is being urged by the IMF to abandon the policy of development of petroleum resources in favor of a wasteful policy of maximizing crude oil exports.

Thus far, except for a vague pledge to economize in his inauguration speech, Lopez Portillo has given no indication of the direction he will follow.

The new cabinet is a skillfully contrived collection of prominent political figures designed to appeal to the most diverse groups inside Mexico and abroad. Many cabinet ministers are holdovers from the Echeverria administration.

Despite reformist rhetoric and even some modest achievements, Echeverria never managed and probably did not intend to encourage development of popular political forces independent of the ruling Institutional Revolutionary party (PRI). A growing and increasingly effective Communist party, and two smaller socialist parties, are still not sufficiently effective to challenge the government directly.

Organized opposition to a rightward shift in government policies from outside the PRI could not achieve success.

Within the PRI, the power of the presidency is more than sufficient to force a closing of ranks. For the foreseeable future—at least for the time being—the shape of Mexico's economic and political life will depend largely on events outside its borders—the pace of recovery in the advanced countries, and the attitude of the Carter administration in the U.S., whose aid and sympathy could prove important in moderating the international pressures on the Mexican government.

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Defense contractors getting higher profits

By John Markoff

Pentagon officials have admitted for the first time that defense contractors make higher profits than commercial industry. The concession came on Nov. 18 in testimony before a Joint Congressional committee chaired by Sen. William Proxmire (D-Wis.). The committee has been investigating defense industry.

William Clements, Deputy Secretary of Defense, testified that a detailed Pentagon study entitled "Profit '76" had revealed that while defense industry profits were lower as a percentage of sales than commercial industry, they were significantly higher when measured as a percentage of investment.

Defense contractors made an average profit of 13.5 percent on investment before taxes during the past five years, while the return of commercial producers of durable goods was 10.7 percent. Profit as a percentage of investment has traditionally been a critical factor for private investors.

Clements' testimony before the Joint Committee on Defense Production was designed to defend a recently implemented Defense department profit policy, code-named DPC 76-3. The new policy is supposed to be a break from past contracting practice that has based profits almost entirely on costs. Clements acknowledged that this method of contracting, known as "cost-plus," has been a major factor in increasing the costs of

"The Lockheeds of this world are rewarded for bad performance ...I call them the wards of the state."

weapons systems. In the past, the easiest way for defense contractors to increase their profits has been to increase costs.

Clements claimed that DPC 76-3 would also create incentives for contractors to invest capital in new equipment to increase productivity and thereby lower costs.

►Free plant and equipment from government.

In the past, defense contractors have tended to rely heavily on free plant and equipment available from the government, Clements said, "The FTC data indicates that commercial contractors invest an average of 63¢ for every dollar of sales. Government contractors, on the other hand, invest an average of 35¢ for every dollar of sales. We consider this difference of 28¢ on the sales dollar to be significant."

Sen. Proxmire suggested that lower defense contractor investment and higher profits might result from the contractor practice of "loading" part of their overhead from government work onto their commercial work. Clements denied this,

saying that Pentagon audits made loading impossible.

A. Ernest Fitzgerald, Air Force deputy for productivity management, also testified before Proxmire's committee on the Pentagon's new profit guidelines. Fitzgerald, a skilled defense analyst, has been known as a gadfly for many years and his testimony is not generally welcomed by Defense department officials. (Fitzgerald was fired by the Air Force in the '60s after he exposed a \$2 billion overrun on the C5A Air Force jet transport plane. Seven years after being fired, he regained his position through a civil service suit. Today he has been stripped by the Air Force of many of his former powers and can no longer examine specific weapon systems.)

When asked by Proxmire if he had Defense department approval to appear before the committee, Fitzgerald said he wasn't sure. The Air Force has taken no official position on his testimony. He noted that 11 internal memos had been circulated on his appearance and stated,

"For anything that I say that is in agreement with Pentagon policy, I'm speaking as an official, but if I go off the reservation, I'm on my own."

Fitzgerald criticized the new profit policy for not adopting "should-cost" techniques, and continuing to rely on "historical" cost indicators. Using existing costs to measure future costs makes price rises in weapons systems inevitable, Fitzgerald said.

He also attacked the Pentagon for creating a system that gives most defense business to a small number of giant specialized defense corporations. "The Lockheeds of this world are rewarded for bad performance," he explained. "I call them the wards of the state. When Lockheed was bailed out, it wasn't just the \$250 million loan guarantee they got. Deputy Secretary of Defense [David] Packard declared them essential to national defense, and they got a grant of more than a billion dollars."

Proxmire's committee has released data that shows that only 50 corporations get 60 percent of all defense contracts. Of those 50, the top 10 military contractors make 33.3 percent of all defense sales to the government. The committee also released data showing that less than one-third of military purchasing dollars are awarded through open price competition. John Markoff is a writer based in the Pacific Northwest and is associated with the Pacific Northwest Research Center in Eugene, Ore.

IN THE NATION

Sadlowski vs. McBride: tough, tight race

By David Moberg
National Staff Writer

It was a freezing day for members of Steelworker Union local No. 1066 to take their turn nominating candidates for top union offices. Only a few determined people trickled into Philip Murray Hall in downtown Gary, Ind., Dec. 2 to mark their ballots.

Interest was low because both Ed Sadlowski, insurgent candidate for president and director of the Gary-Chicago district, and Lloyd McBride, supporter of outgoing president I.W. Abel, already had

loyalists gives the establishment candidate an edge.

The only thing clear from the nomination fight is that the remaining race will be tight and tough. One Sadlowski organizer has been shot in the neck while leafleting, provoking concern for Sadlowski's security. Also, Sadlowski previously had to overturn one fraud-riddled district election in 1973 to win his current position.

The Labor Department is considering a request by Abel for "technical assistance" in conducting the election and another plea by Sadlowski for Labor depart-

1066 election. "If the candidate is hand-picked," black griever Billy Hawkins said in a reference to McBride, "he'll do what his predecessor did. Under Abel with each contract we lost ground. The strike is the only weapon labor has to use." Sadlowski has attacked the Experimental Negotiating Agreement, backed by McBride, which gave up the right to strike nationally.

"I can't see where it's done me no good," a 41-year-old production worker in the sheet and tin mill said of the ENA. "We're going through layoffs now. We gave up the right to strike and the com-

"Sadlowski's years as a steelworker, his youth, his militancy gained him support... But some union officeholders who hope to advance in the bureaucracy figure McBride has a better chance to win."

enough nominations to be on the Feb. 8 ballot. "People tell me, 'Hell, he's on the ballot. Why should I come down?'" a longtime steelworker said. "The big thing is Feb. 8. This is just cosmetics."

Sadlowski won at the 4,000-member local, which is part of the huge U.S. Steel Gary Works, by a margin of 167 to 55. He has done well at major steel locals throughout the country, scoring best in the big steel regions of Pennsylvania, Ohio and his home district, taking a third of the nominations in some areas.

McBride claimed a lead of 2,748 to 352 local union nominations at the end of November, one week before nominations closed. Sadlowski supporters said the large lead was unimportant. Challengers typically do far better in the final vote than in nominations. Control of many locals, especially the small "bucket shops," by staff representatives and administration

ment supervision. Normally the Labor Department intervenes only after fraud or other violations occur. But, even the *New York Times* has editorially plugged for broader government involvement in this case. Like many business observers, they were worried that a disputed election could disrupt steel and other contract talks starting early next year.

One of Sadlowski's law suits to prevent prejudicial use of the union machinery in the election was settled in his favor Nov. 23. There was an agreement that the union will mail campaign literature for both candidates at union expense. Also, both sides will preview copies of the union newspaper, *Steel Labor*. Previous issues have included thinly concealed attacks on the Sadlowski candidacy.

Sadlowski was seen as a needed force for change in the union by several workers drifting in and out of the Local No.

pany gave up nothing." He also said he was "100 percent for the right of members to ratify," another of Sadlowski's pledges.

Although Sadlowski's years as a steelworker, his youth, his militancy and the general aura of change he represents all gained him support, other workers—most of them opponents of Sadlowski's district director candidacy—criticized him as inexperienced, overly ambitious and, citing leaflets distributed by McBride supporters, supported by Communists.

Some union officeholders who hope to advance in the bureaucracy figure McBride has a better chance to win and are pinning their hopes and careers to his coattails. One man backing McBride for that reason still admired Sadlowski, saying his defeat would be "the greatest tragedy for the labor movement. He's got guts. He's got charisma."

'Information, please': ATT tells all

By Dave Lindorff

Los Angeles. Testimony in a little-publicized hearing under way here indicates the Bell Telephone system is giving credit where credit is not due.

A reluctant witness who works in the security office of Pacific Telephone and Telegraph, the Bell subsidiary here, has admitted that her job and that of 11 co-workers, is to provide hundreds of government agencies with nonpublished numbers, names and addresses and with the credit and long-distance phone-call records of PT&T customers.

June Ishikawa, who said her job category was "staff clerk," made the admission under questioning by an attorney for CAUSE (Campaign Against Utility Service Exploitation), a consumer group.

CAUSE had been granted a hearing by the state Public Utilities Commission, which oversees the phone company, after the consumer group filed a complaint over alleged mishandling of nonpublished numbers.

Last May, the *L.A. Vanguard*, a local alternative newspaper, broke the story that PT&T was providing nonpublished information to every government agency from the CIA to the Los Angeles public library. The phone company eventually admitted the story was correct, but continued to deny it was also providing credit information and toll-call records to those same organizations.

While there are no federal or state sta-

"ATT's policy is to cooperate with law enforcement agencies."

tutes regulating the handling of non-published information, such release of credit and toll-call information could violate federal privacy and credit acts, as well as Federal Communications Act regulations.

During hearings, which could result in the first statutes regarding the handling of non-published information, numerous state police organizations asked for a chance to testify.

Each police representative made the same request: "Don't restrict our access to non-published information." A string of district attorneys, police and sheriff's deputies said the phone company security offices, which handle hundreds of requests every day, are "an important investigative tool."

What makes the actions of the Bell security offices even more ominous is the number of FBI agents who make the switch from the bureau to the phone company. Information from congressional source shows that 52 former FBI agents work for Bell or AT&T, its parent

organization. Of these, 37 are in "security divisions." Most of the others are listed as company attorneys.

General Telephone, the largest phone company after the Bell system, has done even better at agent recruitment proportionately. The much-smaller firm employs 28 former agents—21 of them in security divisions.

The significance of these figures lies in what a former FBI agent, William Turner, said, "There is really no such thing as an ex-agent. Having these people in the phone company security offices is as good as having an agent there. An ex-agent would have a hard time turning down a current agent's request for information or a phone tap, legal or not."

Nor is the situation peculiar to PT&T and California. The New York Telephone, another Bell subsidiary, has security offices that give access to dozens of agencies, including among others the CIA and state and county welfare offices, though neither is even authorized to act in a police capacity. PT&T officials have testified that the Bell company in Washington, D.C., the Chesapeake and Potomac, also provides the information.

As both Ira Mansfield, PT&T security staff director, and John Whitman, assistant security director at New York Telephone, said, "It's the policy of the Bell system to cooperate with law enforcement and public safety agencies."

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GAO charges Indian Health service abuses

Washington. A report prepared by the General Accounting Office has charged that a large number of sterilizations of native American women were performed by the Indian Health Service without the women's required informed consent. The report gives weight to allegations that Indian women were being sterilized as a birth control measure.

Sen. James Abourezk (D-S.D.) released the report, which he requested the GAO to prepare after receiving complaints about the sterilizations.

The document said the four service areas studied, Aberdeen, S.D., Albuquerque, N.M., Phoenix, Ariz., and Okaloosa City, Okla., were "generally not in compliance with IHS regulations" on informed consent in sterilization procedures involving 3,000 women of child-bearing age from 1973 to the present. Not only were the proper procedures not followed, said the GAO, but they are inadequate in any case.

The GAO also found that despite a moratorium on sterilization of persons under 21, 36 such operations occurred, two-thirds of them "non-therapeutic"—that is, solely for birth control purposes. "Therapeutic" sterilization occurs when the woman's health is endangered, such as in an operation for cancer of the uterus.

The 3,000 procedures of both types studied by GAO were performed out of a potential patient population of about 55,000 women aged 15 to 44—a sterilization rate of well over 5 percent for less than four years, or around 1.5 percent annually. GAO could find no comparable statistics for the general population to illustrate whether the figure was unusually high. But GAO official Robert Farabaugh predicted the unwelcome publicity generated by the report would slow down sterilizations by the service, indicating the present rate might be unwarranted by medical or social necessity.

Informed consent is properly obtained, according to Department of Health, Education, and Welfare regulations, only when the individual seeks sterilization and is orally informed of all discomforts, risks, all birth control alternatives, the irreversibility of the process and their right to withdraw consent at any time. Documentation through explanatory consent forms is also required.

The GAO report recommended that prospective patients additionally be informed orally and in writing that refusal of sterilization "will not result in the withdrawal or withholding of any benefits" the woman may be receiving or eligible for. GAO also recommended that a standardized consent form be instituted and that a 72-hour waiting period be established after informed consent is given for voluntary sterilizations.

GAO also focused in the report on health research programs using native American subjects. One section said that although Indian children experienced "no unnecessary risk" in a trachoma project, "for most of the research period there was no informed parental consent."

Significantly, researchers explained their lapse by saying they thought such parental consent was not necessary since "IHS acts as legal guardian for the children while they attend [government] boarding schools."

GAO urged clear, uniform and strict procedures for gaining informed consent in all experimentation procedures in the future.

—Tim Frasca