

is why, Nikita Khrushchev wrote in his memoirs, he delayed the release of a captured U.S. spyplane pilot, Gary Powers, until after the election.

In 1968, during the Vietnam War, the Soviets hatched an "October surprise" to keep Nixon from defeating Vice President Hubert H. Humphrey in a close race. On October 31, days before the election, Moscow's clients in Hanoi suddenly agreed to serious peace talks with the United States; LBJ suspended U.S. bombing of North Vietnam. Nixon later said that the "surprise" almost cost him the election.

The Kremlin remained offstage during the elections of 1976 and '80. But Ronald

Reagan's tough policies convinced them that he would not be another Nixon, whose détente policies had been a surprise. One reason for the Soviet walkout at the Geneva arms limitation talks in 1983, according to *Pravda's* Viktor Afanasiev, was an unwillingness to hand Reagan a foreign policy triumph. It did not work.

Over the years, the Soviets have gained a more sophisticated knowledge of presidential politics, the authors say. In 1988, Gorbachev subtly favored George Bush. Has the Soviets' intervention made a difference? Not likely. And they have been notable failures at predicting the behavior of U.S. presidents.

Terrorists And Dollars

"The Costs of Terrorism: A Cross-National Study of Six Countries" by Christopher Hewitt, in *Terrorism* (No. 3, 1988), Crane, Russak & Co., 3 E. 44th St., New York, N.Y. 10017.

Terrorists the world over hope to achieve their various political goals by disrupting societies, spreading fear, and provoking governments into repressive acts. What about their *economic* impact?

To find out, Hewitt, a University of Maryland sociologist, analyzed terrorists in six nations: Cyprus's anti-British EOKA (1955-59); Uruguay's revolutionary Tupamaros (1962-72); the Irish Republican Army and its Protestant rivals in Northern Ireland (1968-87); the Basque ETA separatists in Spain (1973-87); and various revolutionary (mostly left-wing) groups, such as the Red Brigades, in Italy (1969-81) and West Germany (1967-81).

First, surveying terrorist "self-financing," Hewitt found substantial country-to-country variations. In West Germany, for example, kidnappings for ransom by the leftist Baader-Meinhof gang and other fac-

tions were relatively numerous and costly (\$22.5 million); in Northern Ireland, there were none. The Basque ETA exacted a heavy toll in "revolutionary tax" extortions from local businessmen (\$65 million).



Terrorism in Spain: In October 1986, in San Sebastian, a Basque ETA militant on a motorbike attached a magnetic bomb to General Rafael Garrido Gil's car, killing him, his wife, and his son.

Damage from bombings and arson ran to over \$1 billion in Northern Ireland and Italy. Northern Ireland suffered the heaviest toll in murders and assassinations (2,558), followed by Spain (814), Cyprus (652), and Italy (386).

Almost everywhere, terrorist campaigns sparked increases in government outlays for police and other security forces. Oddly, however, these expenditures often bore little relation to the actual threat. Thus, West Germany, facing relatively minor terrorism, spent an additional \$2.7 billion over 11 years, while Italy's internal security

spending dropped.

Adding up the direct dollar costs of terrorism, Hewitt found that they are not trivial. Far and away the largest burdens have fallen on Northern Ireland, where the 17-year total comes to \$12 billion, followed by Spain (\$5.2 billion) and West Germany (\$2.8 billion). Still, these outlays are tiny fractions of national gross domestic product in these lands. "Where terrorism is significant," says Hewitt, "it is because of its power to disrupt people's lives and to change political attitudes, not because of its economic costs."

ECONOMICS, LABOR & BUSINESS

Buying America

"Japan's Investment in America: Is It a Threat?" by John H. Makin, in *Challenge* (Nov./Dec. 1988), 80 Business Park Dr., Armonk, N.Y. 10504.

Japanese investors seem to be gobbling up American companies like popcorn. New York investment banker Felix Rohatyn has warned that Americans are in danger of becoming "merely the day-to-day managers" of U.S. business, while Japanese owners become the brains.

It is true, says Makin, an economist at the American Enterprise Institute, that Japanese investment in the United States has surged during the 1980s. But Japanese holdings remain relatively small, and the special conditions that caused the surge have ended.

By the end of 1987, Japanese holdings in the United States had jumped to \$194 billion, up from \$35 billion in 1980. Yet, by contrast, Western European investors owned \$785 billion in U.S. assets in 1987. Overall, foreigners owned about 10 percent of all U.S. "reproducible" capital (i.e. excluding real estate); the Japanese stake was only 1.3 percent.

Where have the Japanese put their money? Most of it, \$117 billion, is in U.S. Treasury bonds and notes. (About four percent of all Treasury securities are in Japanese hands.) Some \$34 billion is in

highly visible "direct investments," such as auto factories and banks; the remainder is in corporate stocks and bonds.

There were two major reasons for the sharp increase in Japanese investment, says Makin. Beginning in 1980, Tokyo eased restrictions on overseas investment, releasing billions of dollars in pent-up capital. Japan's *total* foreign investment jumped from \$160 billion in 1980 to \$808 billion in 1987. Second, the 1980s brought an unusual combination of high U.S. interest rates, a strengthening dollar, and a growing economy. This made the United States very attractive to foreign investors.

For a variety of reasons—including a slight increase in U.S. savings, a small reduction in the federal budget deficit, and a cooling of the economy—Makin believes that foreign investment is beginning to taper off. Eventually, the cycle will be completed, and the United States will again be in a position to be an investor abroad. When that happens, Makin says, Americans had better hope that they have not already enacted controls on foreign investment that will serve as harsh models for other governments.