**ECONOMICS, LABOR & BUSINESS**

## *Dusting Off the Sherman Act*

"Questionable Corporate Payments Abroad: An Antitrust Approach" by Charles R. McManis, in *The Yale Law Journal* (Dec. 1976), 401-A Yale Station, New Haven, Conn. 06520.

Despite Watergate revelations of widespread "questionable" corporate payments abroad, most business leaders lack an "animated" conviction that these practices, ranging from "consultants' fees" to political contributions to outright bribes, should be stopped. (By September 1976, over 200 firms had admitted to such payments.)

According to McManis, visiting professor of law at Vanderbilt, the response of federal oversight bodies such as the Securities and Exchange Commission (SEC) has been inadequate and inconclusive. He proposes a hitherto ignored approach: Antitrust laws already on the books could put a potent legal weapon in the hands of those most willing and able to attack questionable payments.

Recent proposals by former President Ford's Task Force on Questionable Payments Abroad, by the SEC, and by several congressional committees fail to address a central issue. Payments designed to influence the business practices of foreign governments are, in fact, anticompetitive practices.

Existing antitrust laws, McManis observes, provide a solid legal basis for attacking such payments. The Sherman Act (1890) prohibits conspiracy in restraint of trade; the Clayton Act (1914) prohibits payment of brokerage fees to persons under direct or indirect control of another party in a transaction; and the Federal Trade Commission Act (1914) declares unfair methods of competition unlawful.

Liable under this approach would be corporations, subsidiaries, and individual officers and directors. Legal action could be initiated by the Justice Department, Federal Trade Commission, or SEC, by business competitors or parties threatened with economic injury, by shareholders, and even by foreign governments. The ensuing lawsuits, says McManis, would remind negligent corporate executives that questionable overseas payments are not "victimless wrongs" and threaten both U.S. foreign policy and their companies' own long-term business interests.

## *The Limits to No-Growth*

"The Implications of Zero Economic Growth" by Lester C. Thurow, in *Challenge* (Mar.-Apr. 1977), 901 North Broadway, White Plains, N.Y. 10603.

To reduce pollution and avoid depletion of nonrenewable natural resources, some economists have proposed limiting the U.S. economy's rate of growth. Although implicit limits are already set by the rate of productivity (evidenced by an annual increase of per capita GNP over the past 30 years of only 1.8 percent), most slow-growth proponents

would set the limits *below* those that now exist.

One way to analyze the consequences of deliberately imposed limitations, says M.I.T. economist Thurow, is to consider the implications of zero economic growth (ZEG). Examining actual periods of zero or negative economic growth in recent U.S. history (the recessions of 1949, 1954, 1957–58, 1960–61, 1969–70, 1974–75), Thurow concludes that ZEG would indeed reduce use of nonrenewable resources but would also cause higher unemployment and greater economic inequality. Furthermore, he argues, "pollution does not decrease when the U.S. economy stops growing."

Without "substantial changes" in the way the economy is operated, he contends, ZEG unemployment rates would rise about 5 percentage points a year. Since the structure of unemployment, measured by percentages of various groups affected, will remain the same, the result would be severe inequities for the young and the black. (Within two years of ZEG, black unemployment would rise to 28 percent, that of young people to 40 percent.)

Moreover, if ZEG is not to bring a falling standard of living, zero population growth will have to be achieved. That means immediate reduction in the average number of children per family from 2.1 to 1.2.

One measure to prevent the rising inequalities that attend ZEG, Thurow suggests, would be some form of "work rationing." However, such a plan would result in a clash between private incentives and social objectives. Such tension could be avoided only if there were some way to eliminate the human desire for more goods and services. A technique for accomplishing this, Thurow concludes drily, "is as yet, however, unknown."

## *Poor Returns on Stable Pricing*

"Commodity Price Stabilization and the Developing World" by Ezriel M. Brook and Enzo R. Grilli, in *Finance and Development* (Mar. 1977), World Bank Group, Washington, D.C. 20431.

Fluctuations in the price, and thus the export earnings, of raw materials in the world market have caused severe difficulties for the 98 commodity-producing nations designated by the World Bank as "less developed" countries (LDCs). For more than two decades, these nations have pressed for international remedies. But without clear formulation of economic objectives, conclude Brook and Grilli in this World Bank study, the most widely discussed policy option—international commodity price stabilization—would not automatically benefit commodity producers.

The authors identify three possible objectives: stabilizing export revenues, maximizing export revenues, or minimizing import expenditures. In each case, the source of the price fluctuation for a particular commodity is the determining factor in benefits derived. Wheat, tea, wool, rubber, and most metals, for example, tend to be more sensitive