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 to demand, while the prices of rice, sugar, coffee, cocoa, cotton, and jute vary with supply.

In an analysis of 17 commodities critical to the economies of developing countries, the authors conclude that, as exporters, the LDCs would benefit from price stabilization only for coffee and cocoa; as importers, only for wheat. Moreover, while exports of coffee are of general importance from Brazil to Uganda, cocoa has only regional significance as an export commodity for West Africa. Benefits would in any case be modest. Coffee and cocoa accounted for only 17 percent of the LDCs' export earnings in 1973, the last year for which data are available, and wheat for only 15 percent of total imports. (It is uncertain whether stabilized prices for jute, cotton, and sugar would have a positive or negative effect on export earnings.)

Stabilized prices for their exported minerals and metals would not help less developed countries at all, but the consuming industrialized nations instead. For these commodities, as well as for rubber and sisal, compensatory financing to cover fluctuations would have a more beneficial effect on the LDCs.

An Abnormal Housing Rebound

"Housing in the Recovery," in *Federal Reserve Bulletin* (Mar. 1977), Division of Administrative Services, Federal Reserve System, Washington, D.C. 20551.

A revival of housing construction has been in progress for two years, but the current surge differs significantly from earlier "boom" cycles, says the *Bulletin*.

While previous postwar upswings in building preceded overall economic recoveries by more than six months, housing starts this time began their climb only one month before the economy hit its low point in the first quarter of 1975. Residential construction's 3.5 percent share of GNP remains below the levels attained in previous recoveries.

Other anomalies abound. For example, mortgage lending continues to finance the housing boom, but savings and loan associations account for an abnormally high two-thirds of direct residential mortgage debt. More noteworthy is the expanding role of mortgage-backed securities issued or guaranteed by the federal government. These liquid, bond-type securities account for a fifth of the mortgage debt increase.

To an unusual degree, single-family housing starts dominate the current rebound, despite the fact that the cost of owning a home is rising faster than average family income. Investors have not gone heavily into multifamily projects. Potential cost overruns, materials shortages, strikes, adverse weather, and shifts in consumer demand make construction loans for multifamily dwellings (apartments, condominiums) high-risk investments. At the same time, there has been an unprecedented demand for multifamily housing. Approximately 85 percent of all such units completed during the third quarter of 1976 had been rented before year's end.