

FOREIGN POLICY & DEFENSE



A World War I recruiting poster. Plans to merge the Marine Corps into the Army or drastically cut its size after the Korean War were thwarted by former "leathernecks" in Congress. Today, the Corps is the only military service to enjoy a legislated minimum force structure.

Defense Department Photo (Marine Corps).

are on their way to the troops.

With a revived mission and better weaponry to back up its traditional esprit, Wright concludes, the Marine Corps now again seems likely to survive as the nation's proud "all-American anachronism" among the services.

Lebanon's Future

"A House Divided" by Adam Zagorin, in *Foreign Policy* (Fall 1982), P.O. Box 984, Farmingdale, N.Y. 11737.

Now that the worst of the fighting in Beirut has ended, peace and stability may be within reach. But U.S. foreign policy-makers must realize that trying to re-establish a strong central government may make peace harder to achieve, cautions Zagorin, a *Time* correspondent.

Political fragmentation has become economic fragmentation in Lebanon. Since Moslem-Christian strife broke out in 1975, more than 40 warring factions, split along religious and political lines, have developed. The economy has fared surprisingly well, quickly rebounding when factional fighting first died down in 1976, though slowing to a growth rate below three percent after hostilities were renewed in 1977. Bank deposits have quadrupled to \$8 billion since 1975.

But the central government is in bad straits. Tax collection ceased almost entirely after 1975. In 1978, 1979, and 1980, the budget deficit

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reached one-third of outlays. Of \$2 billion in aid pledged by Arab nations in 1979, less than 20 percent has been dispensed. The public debt has climbed to over \$1 billion, more than an entire year's budget.

Meanwhile, the black market economy is booming, spurred by civil war factionalism. About one-quarter of Lebanon's 400,000 workers are employed in the "underground" economy. The hashish trade reaps some \$1 billion annually. Other smuggling reduced government customs duties collections by 40 percent during the first half of 1981. Lebanon's rival political chieftains control some \$300 million in contributions from foreign governments, and some levy their own taxes. And the Palestine Liberation Organization (PLO) had a budget larger than the central government's. The PLO paid 15,000 armed guerrillas and 10,500 workers employed in factories, hospitals, even a garbage collection service. Now its operations are up for grabs.

"The war was hell," writes Zagorin, "but in its course grew a well-articulated and now entrenched economic system." Trying to reimpose order from Beirut would hurt the economy and exacerbate factional jealousies. Instead, Zagorin favors rewriting Lebanon's constitution to establish an "umbrella" national government that would preside over autonomous local authorities. Such an arrangement, he argues, would merely legitimate the existing system and allow Lebanon's Moslems and Christians, rightists and leftists, to coexist peacefully.

ECONOMICS, LABOR & BUSINESS

*A Polite Fiction
Among Bankers*

"Producing Something from Nothing" by Robert B. Zevin, in *The Atlantic Monthly* (August 1982), P.O. Box 2547, Boulder, Colo. 80322.

Since 1960, growing international trade and loans to developing countries have pushed the value of Eurocurrency from \$10 billion to \$1 trillion. Zevin, senior vice-president of the United States Trust Company, argues that this increase is largely a trick of accounting and that the Eurocurrency system today is in danger.

Eurocurrency is neither European nor a particular currency. It is a national currency deposited in a bank in any *other* nation. A Eurodollar is a dollar deposited in any bank outside the United States; a Japanese yen in a New York bank is a Euroyen. Three-quarters of all Eurocurrency deposits are denominated in dollars; more than half of the system's deposits are held in Europe.

Most deposits are in the name of "a few dozen" multinational corporations and OPEC countries. American multinationals started the Eurocurrency boom during the 1960s, and during the 1970s, oil-producing countries began stashing their excess profits in the Eurobanking system.