

ECONOMICS, LABOR, & BUSINESS

ation ventures and by making direct investments." American workers are now building Hondas; Japanese steel companies are selling advanced cold strip mill technology to their U.S. counterparts.

Washington, Fukushima says, is using Japan as a scapegoat. With a growing deficit that absorbs two-thirds of all national savings, an overvalued dollar, a diminishing competitive edge in several key industries, and excessive borrowing from overseas, the United States is largely responsible for its own economic woes. Not only has Japan opened its markets to U.S. businesses, but in 1983 the Japanese people spent \$182 per person on American products, compared with \$157 in the European Common Market countries.

However, Japan cannot assume America's role of world economic leadership, Fukushima writes. It lacks military power; its exports account for only eight percent of world trade; protectionism is restricting Japanese economic growth. Japan must further liberalize its economy, opening its vast telecommunications market to Western corporations and developing a long-range strategy to encourage foreigners to sell in Japanese markets. But, for its part, the United States must meet its own international economic responsibilities.

Space, Inc.

"Business in Space" by David Osborne, in *The Atlantic Monthly* (May 1985), 8 Arlington St., Boston, Mass. 02116.

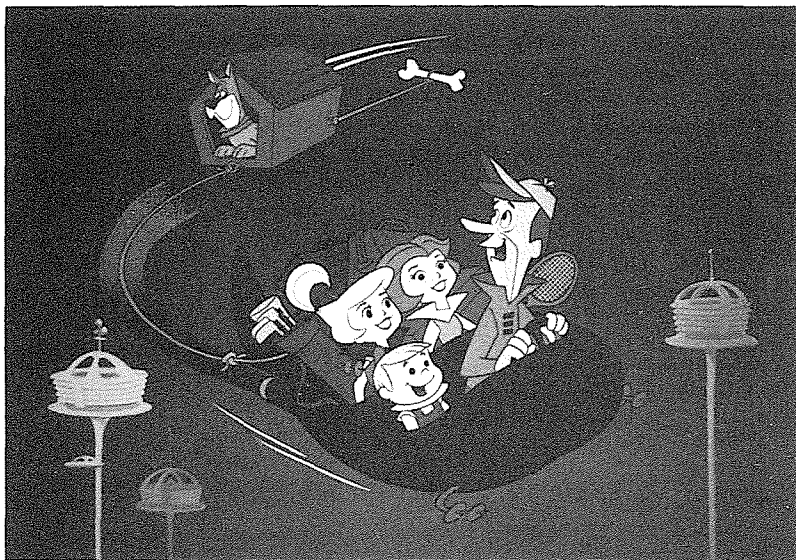
"The benefits our people can receive from the commercial use of space literally dazzle the imagination," President Reagan declared in the summer of 1984. Osborne, a contributor to the *Atlantic*, praises the President's vision but finds flaws in his plan to accelerate the commercial development of space.

Since it was established in 1958, the National Aeronautics and Space Administration (NASA) has invested more than \$200 billion in space exploration. Several space industries are now burgeoning, with sales of some \$23 billion a year. Satellite communications already generate revenues of about \$3 billion annually. Remote sensing of Earth's weather patterns, pollution, oil, gas, and mineral deposits promises to yield substantial profits. So do launching and supplying space projects.

Manufacturing in space—"materials processing"—will undoubtedly be a boon for American industry. In near-zero gravity, drugs, alloys, and crystals can be produced with a precision and cost-efficiency that are physically impossible to achieve on earth. Crystals for computer chips, for instance, can grow flawlessly when suspended in space. Urokinase, a life-saving drug that dissolves blood clots, currently costs \$1,200 a dose when made on Earth. Space production could cut the price to \$100, according to a NASA study.

The United States has no monopoly on the space trade. The Soviet Union got on board in 1971 with *Salyut 1*, a rudimentary station. It has conducted 1,500 materials processing experiments in space; the United States, only 100. The French, West German, and Japanese governments

ECONOMICS, LABOR, & BUSINESS



Images of man in space—wildly futuristic in the 1950s—were domesticated in the 1960s. Here: the Jetsons, a popular American TV cartoon family.

are working hand-in-hand with businesses to get space projects off the ground. The grand project of the Reagan administration is an \$8 billion space station, which NASA hopes will be launched in 1992, exactly 500 years after Christopher Columbus voyaged to the New World. Permanently hovering in geosynchronous orbit, it would serve as a laboratory, observatory, storage depot, and oasis for space workers.

Osborne thinks Reagan's desire to ease government out of space is the wrong tack to take. Since the U.S. government "created the marketplace" for space products, he points out, it should aggressively procure "whole technologies rather than specific products . . . beyond what might be cost-efficient in the short-run." As NASA has already shown, federal investment in space-related technologies can have enormous future payoffs, ranging from computer chips to Teflon skillets.

The Swedish Model

"The Rise and Fall of the Swedish Model" by Erik Lundberg, in *Journal of Economic Literature* (Mar. 1985), Dept. of Economics, Stanford Univ., Stanford, Ca. 94305.

From the mid-1930s through the late 1960s, Sweden's pioneering "welfare state" defied the doomsayers. Achieving full employment, a low rate of inflation, steady growth, greater income equality, and political stability, the Swedish Model held up surprisingly well.

But in 1974, the long rise of Sweden's gross national product (GNP)