

Krzysztof Lenk / Paul Kahn

Business

What is happening as we shift towards a service economy?

Top Companies

Has the computer business affected our world status?

Business Growth

Why do big businesses get bigger?

Mergers & Acquisitions

Why have mergers increased in size and number?

Wages & Earnings

Who earns more money?

Employee Compensation

Why are CEO's incomes increasing faster than average?

Immigration

Where are our immigrants from? Where are they living?

Foreign Trade

What are we gaining and loosing?

Global Trade

Why are we the biggest importer, exporter and deficit holder?

Global Economy

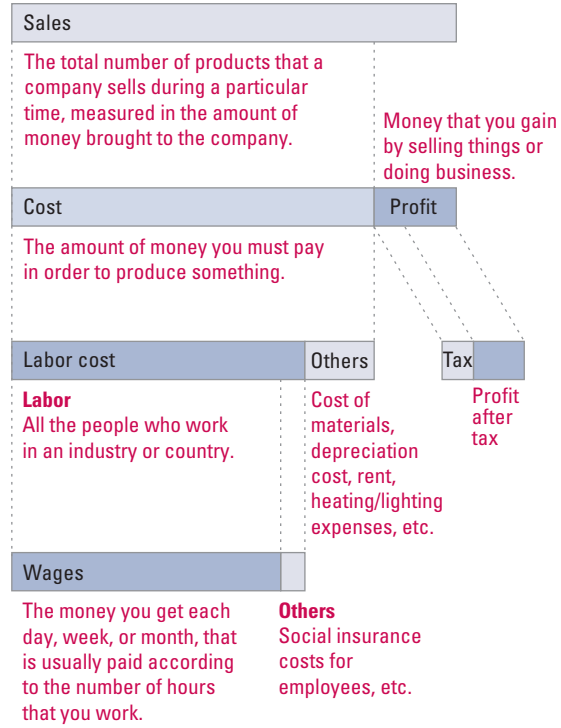
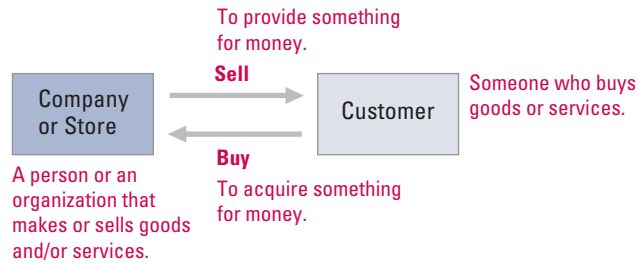
Why does the U.S. not have the highest GNP per capita?

The United Nations

How does it run on such a small budget?

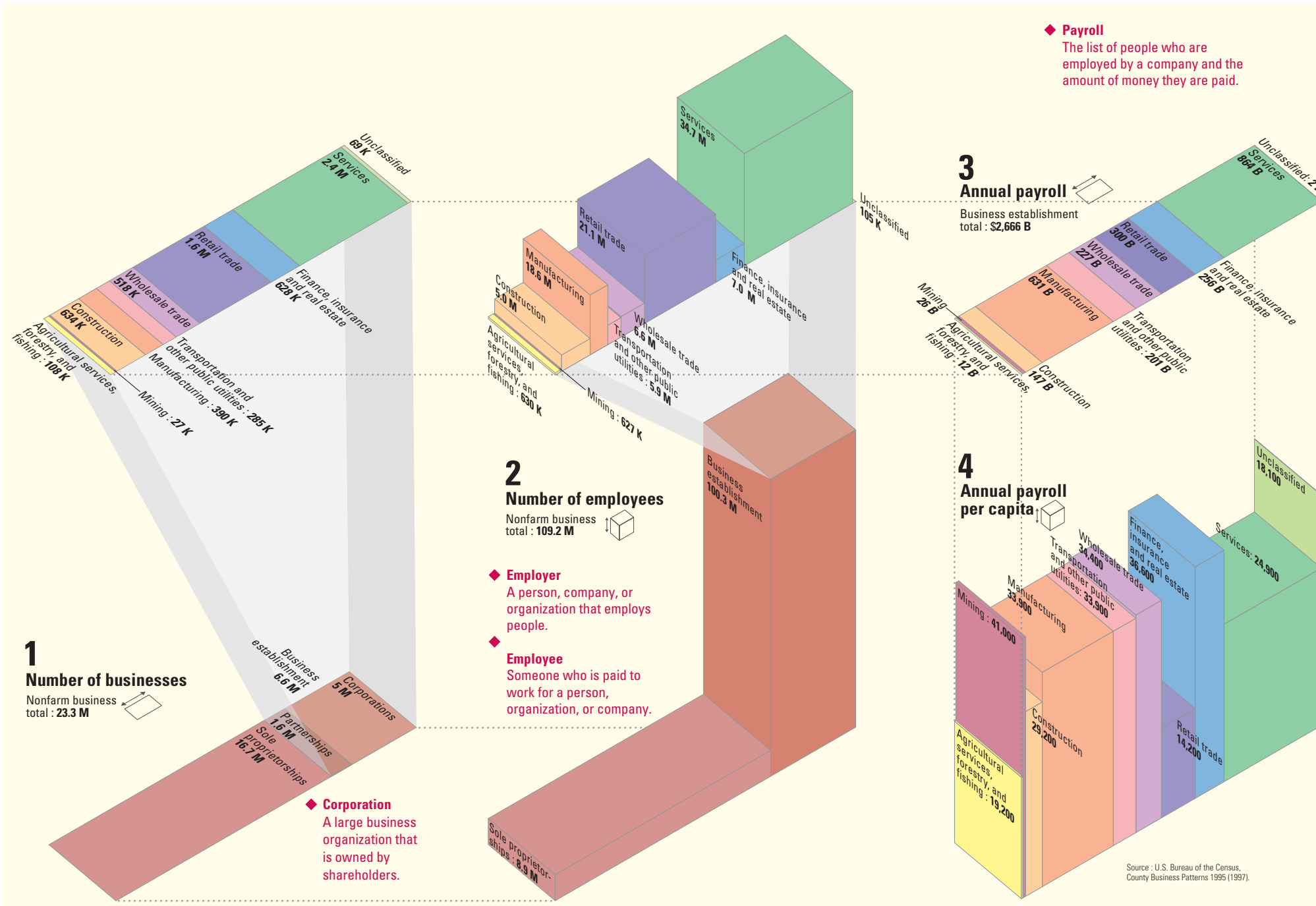
What is BUSINESS?

◆ The activity of buying or selling goods or services. Goods are things that are produced in order to be sold. Services is a business that provides help or does jobs for people rather than produces things.



What is the total volume of American business?

(Excludes most government employees, railroad employees, and self-employed persons.)

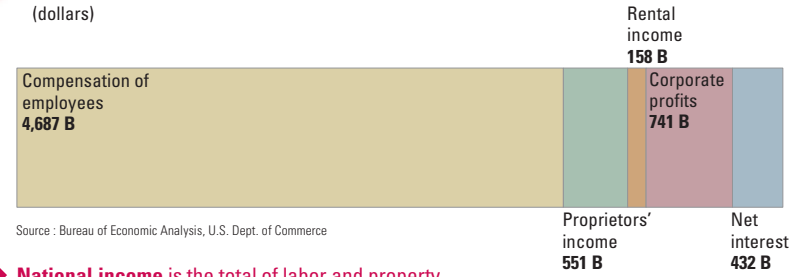


Source: U.S. Bureau of the Census, County Business Patterns 1995 (1997).

U.S. national income, 1997

(dollars)

Total: 6,647 B



Source: Bureau of Economic Analysis, U.S. Dept. of Commerce

◆ **National income** is the total of labor and property earnings from the production of goods and services. It measures the total factor costs of goods and services produced by the economy. Income is measured before deduction of taxes.

◆ Top 3 franchises by number in 1997 are: 1) McDonald's, 15,394; 2) 7-Eleven Convenience Stores, 13,819; 3) Subway, 12,914; 4) Burger King Corp., 8,422; 5) Jani-King, 6,285. (Source: *Entrepreneur*, Jan. 1999)

Business

What is happening as we shift towards a service economy?



◆ **Payroll**
 The list of people who are employed by a company and the amount of money they are paid.

“Corporations have become the dominant institution of our time, occupying the position of the church in the Middle Ages, and the nation-state of the past two centuries,” according to *Fast Company* magazine. Of the 100 largest economies in the world, 51 are corporations. General Motors, for example, is a larger economy than Denmark or Thailand, according to the Institute for Policy Studies.

The nine industrial divisions listed in the U.S. Office of Management and Budget's Standard Industry Classification: 1) agriculture, forestry and fishing; 2) mining; 3) construction; 4) manufacturing; 5) transportation and public utilities; 6) finance, insurance and real estate; 7) wholesale trade; 8) retail trade; 9) services.

The service sector, which includes government, health, computer and data processing, and child day care services, among others, is responsible for 3/4 of U.S. employment, and is expected to account for 4 of every 5 jobs by 2005.

Small businesses account for 99% of the 23.3 million nonfarm businesses in the United States today, according to the Small Business Administration.

Trade credit: the most often utilized form of short-term business financing, whereby a supplier provides a company with needed materials in exchange for a scheduled later payment, with added interest.

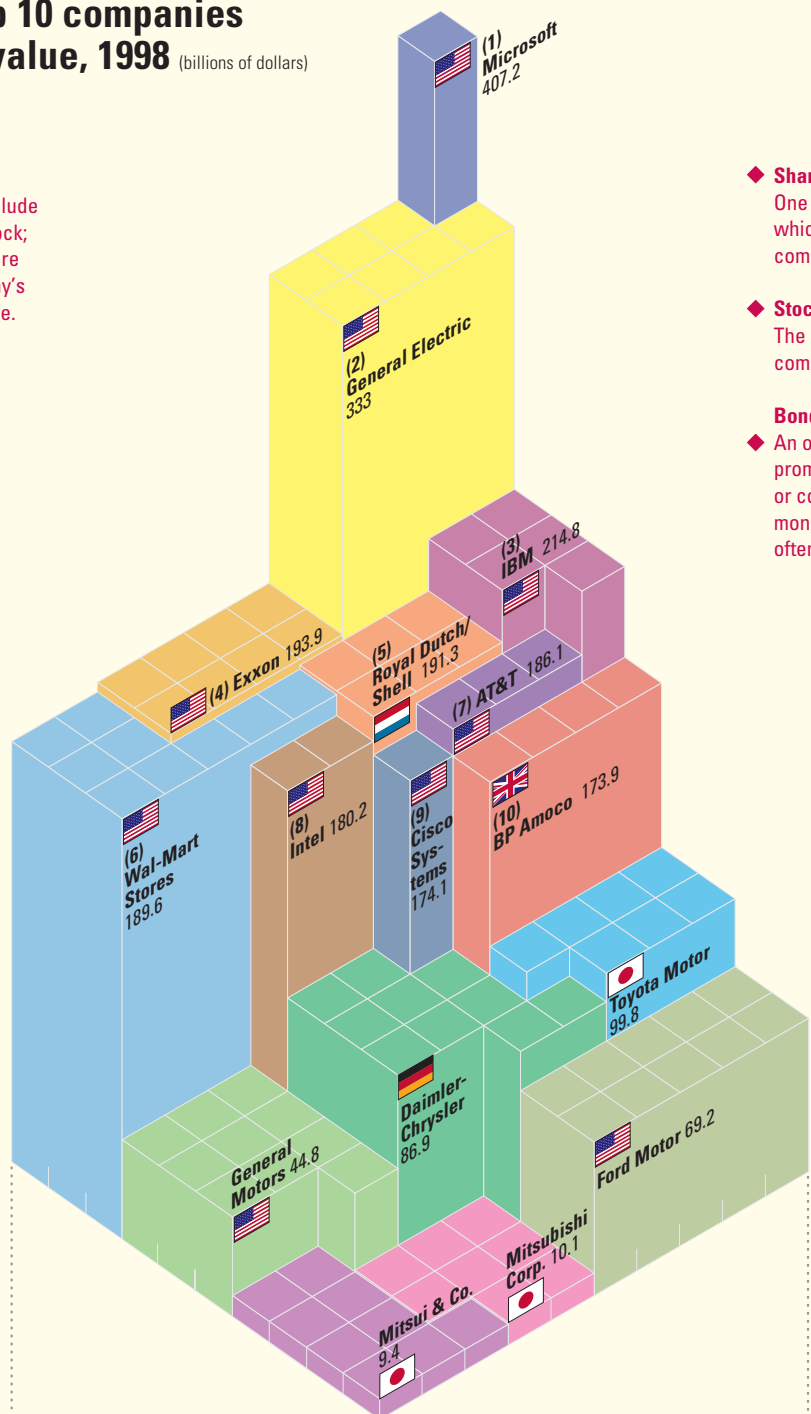
Franchised business represents nearly 40% of all U.S. retail sales. The Department of Commerce estimates that by 2000, franchising will account for more than half of all sales.

World's top 10 companies in market value, 1998

(billions of dollars)

Market value

Market value may include several classes of stock; price and yield data are based on the company's most widely held issue.



Share

One of the equal parts into which the ownership of a company is divided.

Stock

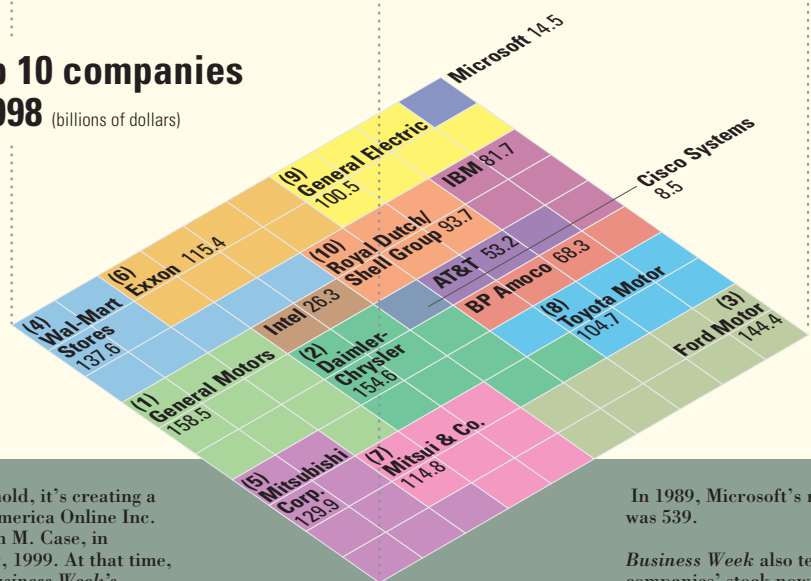
The number of shares that a company issued.

Bond

An official document promising that a government or company will pay back money that it has borrowed, often with interest.

World's top 10 companies in sales, 1998

(billions of dollars)



Source: Morgan Stanley Capital International Inc., *Business Week*, July 12, 1999

"As the Internet takes hold, it's creating a paradigm shift," said America Online Inc. Chief Executive Stephen M. Case, in *Business Week*, 12 July, 1999. At that time, AOL ranked 20th on *Business Week's* Global 1000 list by market capitalization. One year earlier, it had ranked 229th.

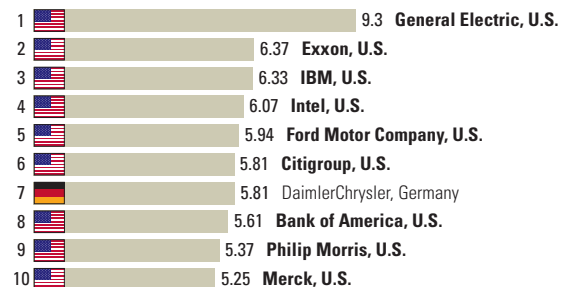
Security and Exchange Commission. U.S. www.sec.gov/
An independent, nonpartisan, quasijudicial regulatory agency with responsibility for administering the federal securities laws.

In 1989, Microsoft's rank on the same list was 539.

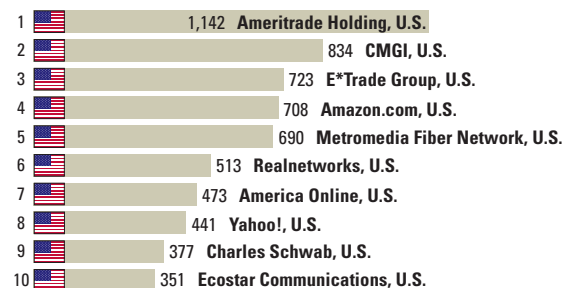
Business Week also tells us that American companies' stock now accounts for 57% of the world's publicly invested capital.

World's top 10 companies by profits, share-price gain, return on equity, 1998

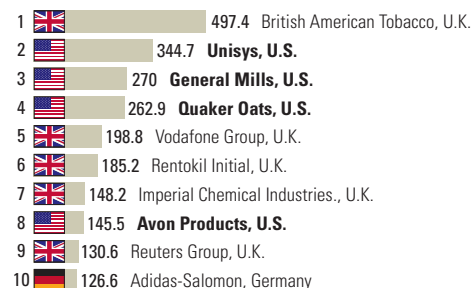
Profits (billions of dollars)



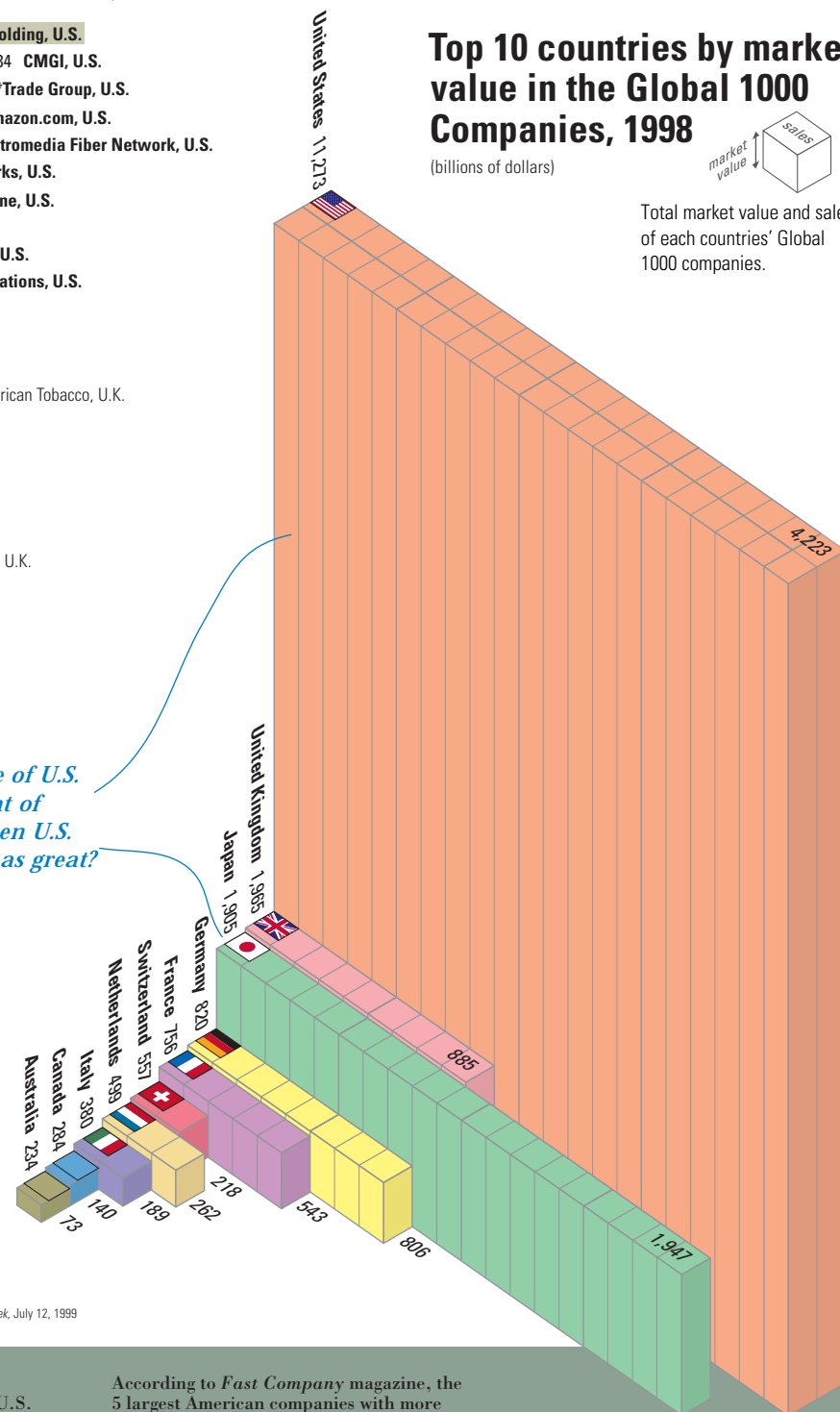
Share-price gain (% change from 1998 in U.S. dollars)



Return on equity (%)



Why is the market value of U.S. companies 5.9 times that of Japanese companies when U.S. sales are only 2.2 times as great?



Source: Morgan Stanley Capital International Inc., *Business Week*, July 12, 1999

The National Center for Employee Ownership reports that 15 million U.S. workers now own about \$500 billion in stock through employee stock ownership plans, 401(k)s, and broad-based stock options.

According to *Fast Company* magazine, the 5 largest American companies with more than 30% employee ownership are United Parcel Service, with 315,000 employees, Kroger Co. (200,000), Publix Supermarkets (95,000), Rockwell International (82,670), and United Airlines (77,900).

The Center for Responsive Politics, a nonprofit research group that collects data regarding money in politics, found that Microsoft's total political campaign contributions increased by 460% between 1991 and 1998.

Top Companies

Has the computer business affected our world status?



Top 10 countries by market value in the Global 1000 Companies, 1998

(billions of dollars)



Total market value and sales of each countries' Global 1000 companies.

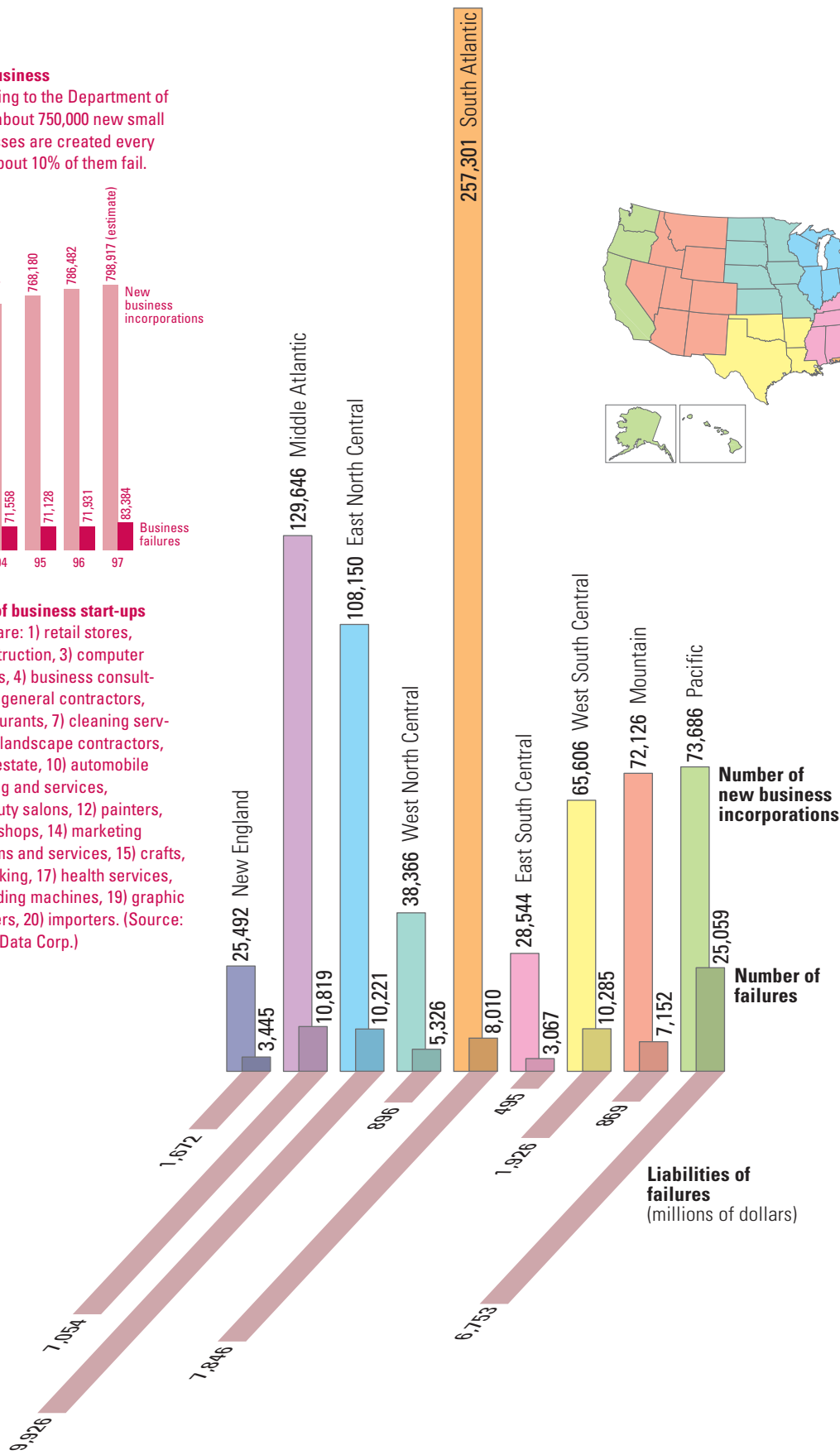
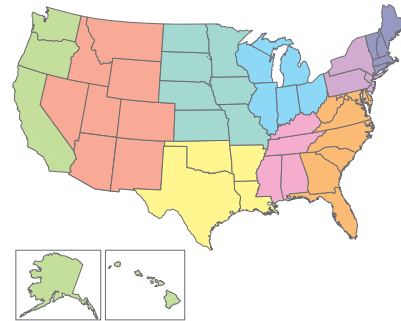
Number of new business incorporations, number and liabilities of business failures by regions, 1997

Source: Dun & Bradstreet

New business
According to the Department of Labor, about 750,000 new small businesses are created every year. About 10% of them fail.



Types of business start-ups
Top 20 are: 1) retail stores, 2) construction, 3) computer services, 4) business consultants, 5) general contractors, 6) restaurants, 7) cleaning services, 8) landscape contractors, 9) real estate, 10) automobile repairing and services, 11) beauty salons, 12) painters, 13) gift shops, 14) marketing programs and services, 15) crafts, 16) trucking, 17) health services, 18) vending machines, 19) graphic designers, 20) importers. (Source: County Data Corp.)



The 5 most stressful American jobs are U.S. President, firefighter, senior corporate executive, Indy-class race car driver, and taxi driver; the 5 least stressful are medical records technician, janitor, forklift operator, musical instrument repairer, and florist, according to the *National Business Employment Weekly Jobs Rated Almanac*.

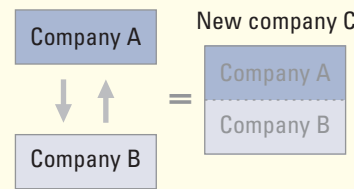
In 1994, The National Center on Education and the Economy tells us, 1 in 3 newly created jobs required a college degree.

A Census Bureau survey revealed that women owned more than 6.4 million businesses in 1992, generating \$1.6 trillion in revenues.

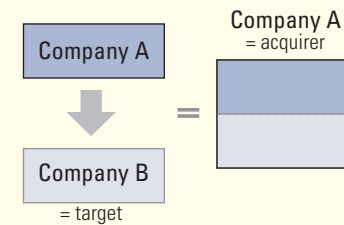
AntiTrust. Dept. of Justice. U.S. www.usdoj.gov/atr/index.html
The Department promotes and protects the competitive process—and the American economy—through the enforcement of the antitrust laws.

What is a MERGER? An ACQUISITION?

Merger



Acquisition



Business Growth

Why do big businesses get bigger?



Divestiture

Sale of a business, division, or subsidiary by corporate owner to another party.

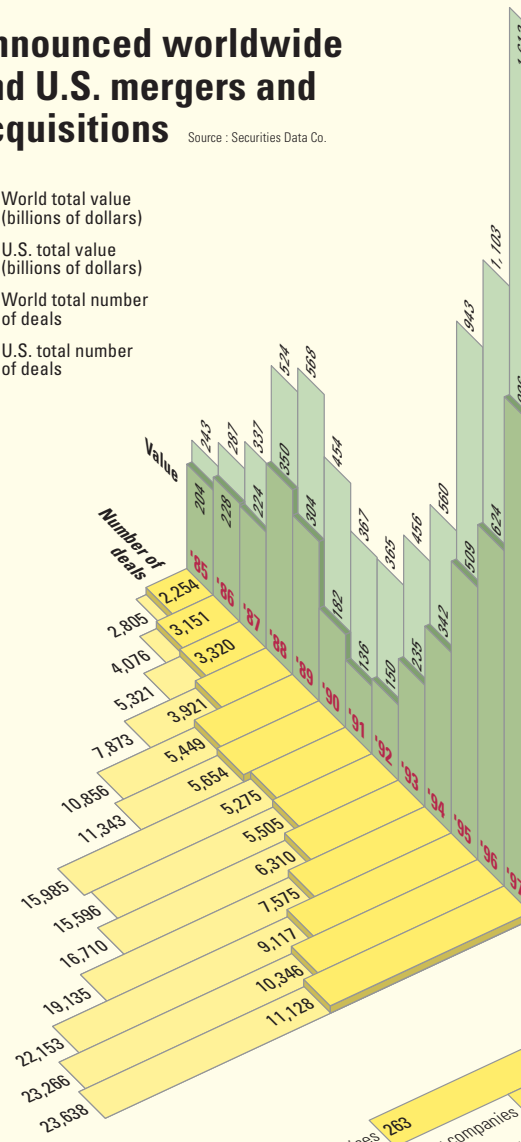
Leveraged buyout

Acquisition of a business in which buyers use mostly borrowed money to finance purchase and incorporate debt into capital structure of business after change in ownership. (Source: Securities Data Co.)

Announced worldwide and U.S. mergers and acquisitions

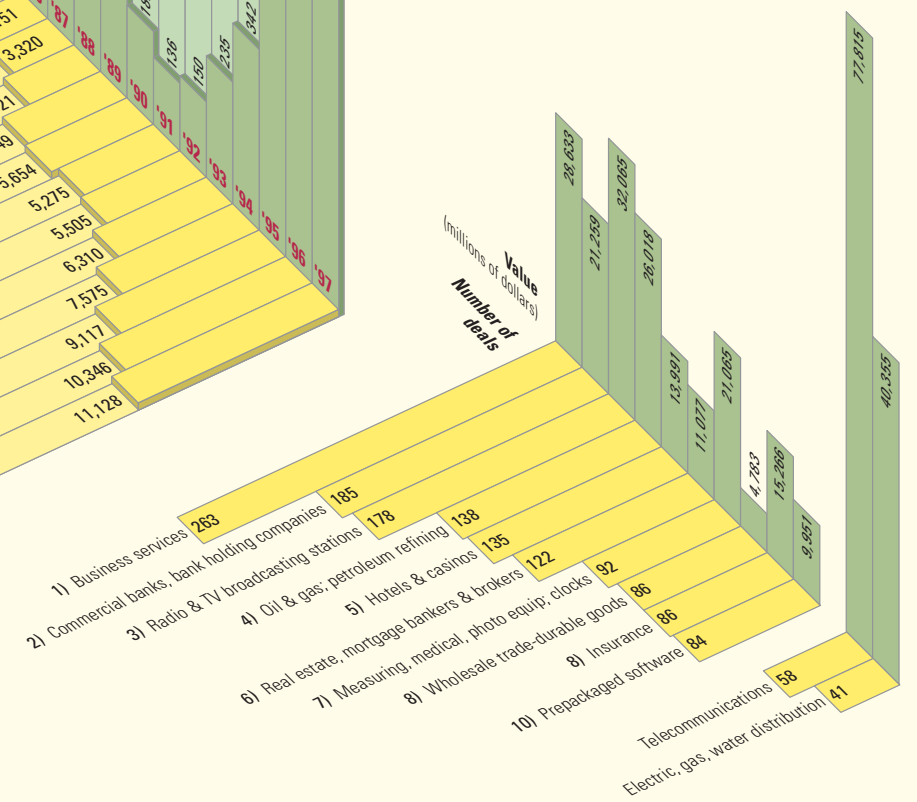
Source: Securities Data Co.

World total value (billions of dollars)
U.S. total value (billions of dollars)
World total number of deals
U.S. total number of deals



Top 10 industries in number of U.S. mergers and acquisitions, 1996

Source: Securities Data Co.



U.S. cities in 1992 with the highest numbers of women-owned firms, in ranking order: Los Angeles, New York, Chicago, Washington DC, Philadelphia.

Those with the most black-owned firms: New York, Washington DC, Los Angeles, Chicago, Atlanta.

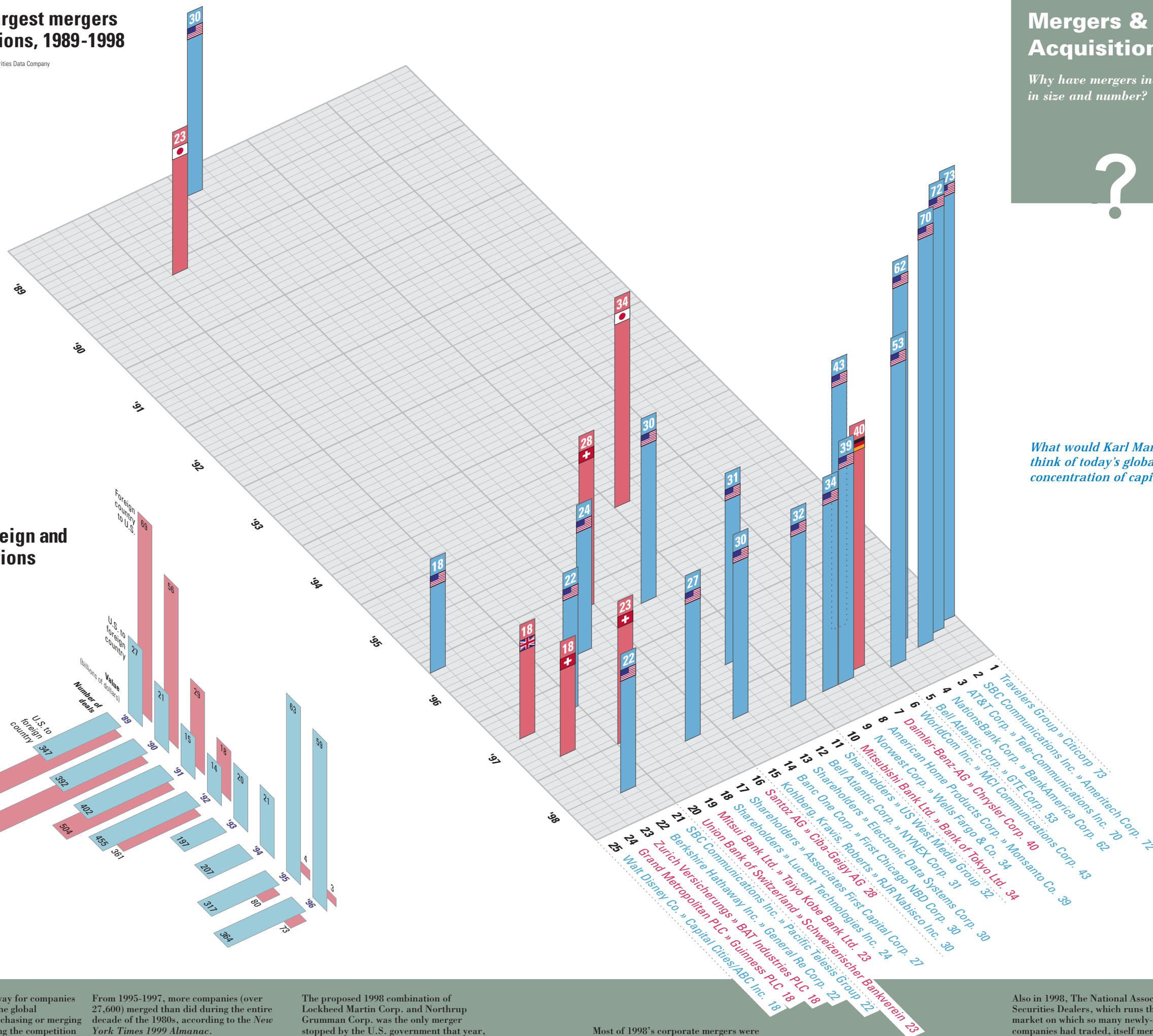
Those with the most Hispanic-owned firms: Los Angeles, Miami, New York, Houston, Riverside-San Bernardino, CA.

1997's top 5 women-controlled businesses, as reported by *Working Woman* magazine: 1) JM Family Enterprises, Deerfield Beach; 2) Fidelity Investments, Boston; 3) Ingram Industries, Nashville; 4) Carlson Cos., Minneapolis; 5) Little Caesar Enterprises, Detroit.

World's 25 largest mergers and acquisitions, 1989-1998

(billions of dollars) Source: Securities Data Company

U.S. acquisition
Foreign acquisition



Mergers & Acquisitions

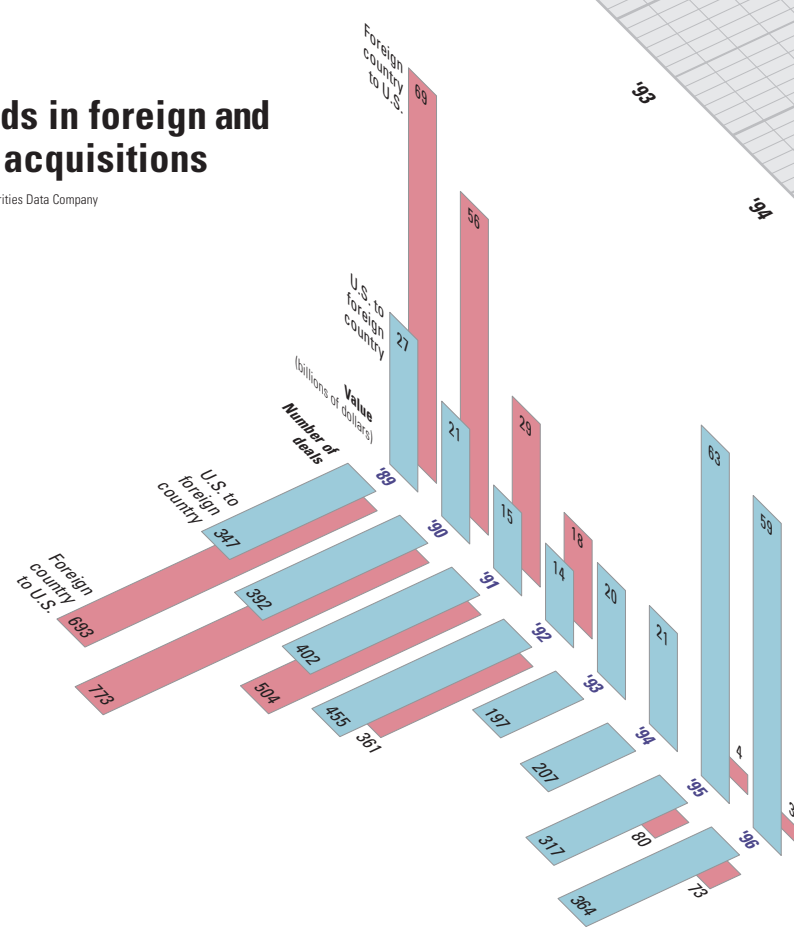
Why have mergers increased in size and number?

?

What would Karl Marx think of today's global concentration of capital?

Trends in foreign and U.S. acquisitions

Source: Securities Data Company



One increasingly common way for companies to increase their power in the global marketplace is through purchasing or merging with their rivals. Eliminating the competition can keep prices from falling, and thereby protect profitability. What's more, the CEO's who broker such deals enjoy hefty financial bonuses for doing so.

From 1995-1997, more companies (over 27,600) merged than did during the entire decade of the 1980s, according to the *New York Times 1999 Almanac*.

The proposed 1998 combination of Lockheed Martin Corp. and Northrup Grumman Corp. was the only merger stopped by the U.S. government that year, due to Pentagon complaints that defense contractors were better left separate.

Most of 1998's corporate mergers were performed not as outright purchases, but as stock transactions.

When AT&T announced its plans to purchase TCI in June of 1998, the price of AT&T stock actually fell.

Also in 1998, The National Association of Securities Dealers, which runs the Nasdaq market on which so many newly-merging companies had traded, itself merged with the American Stock Exchange. Then the Chicago Board Options Exchange followed suit, buying the Pacific Exchange.

Wages & Earnings

Who earns more money?



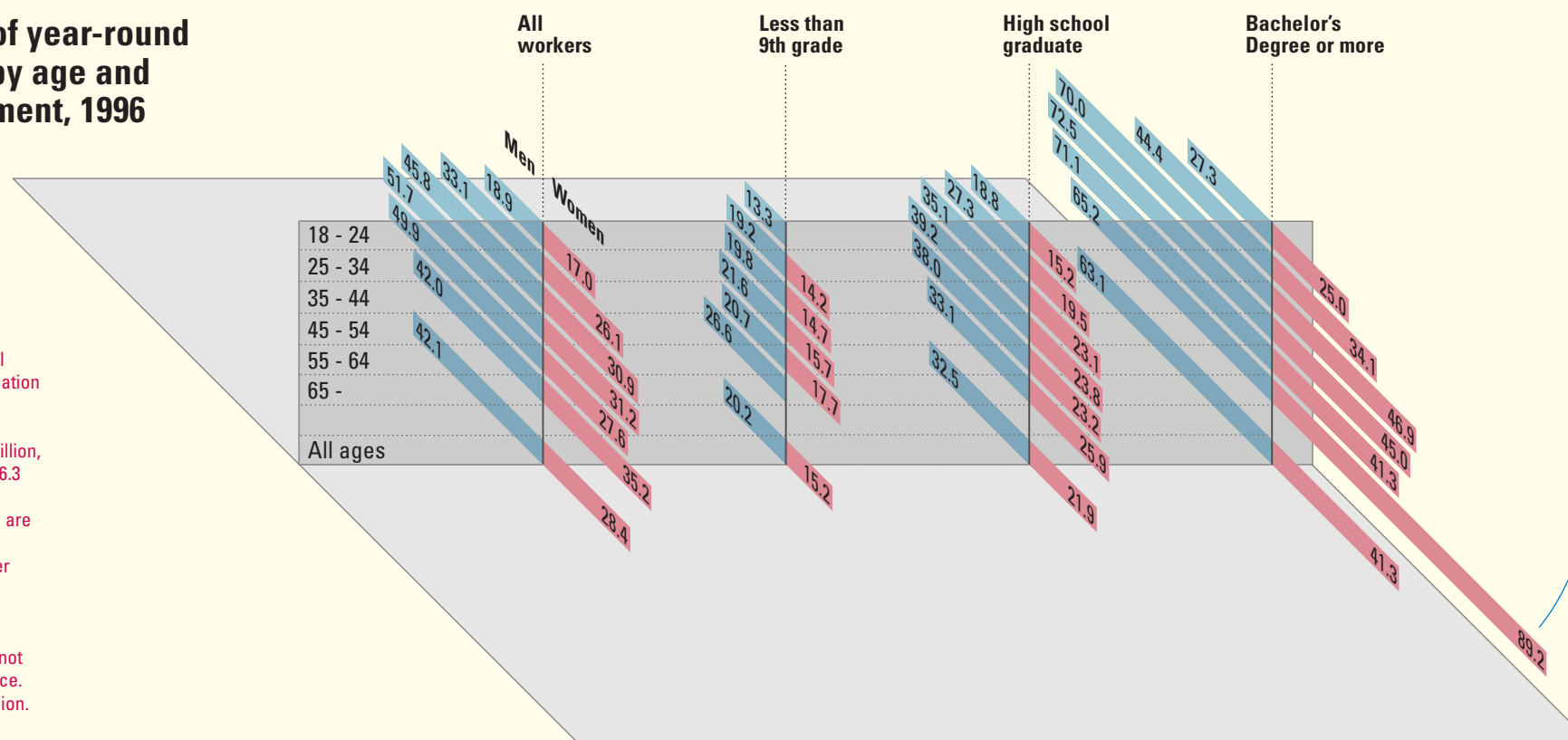
Why do women 65 and over with a college education have the highest average earnings?

Where are the teachers?

Average earnings of year-round full-time workers by age and educational attainment, 1996

(thousands of dollars)

Source: U.S. Bureau of the Census, Current Population Reports



Labor force

The civilian labor force comprises all civilians in the noninstitutional population 16 years and over, classified as "employed" or "unemployed". Among U.S. total population, 266.8 million, the civilian labor force comprises 136.3 million, or 67%. Among the civilian labor force, there are 1.6 million (or 1.2%) minimum wage workers, and 2.8 million (or 2%) under minimum wage workers.

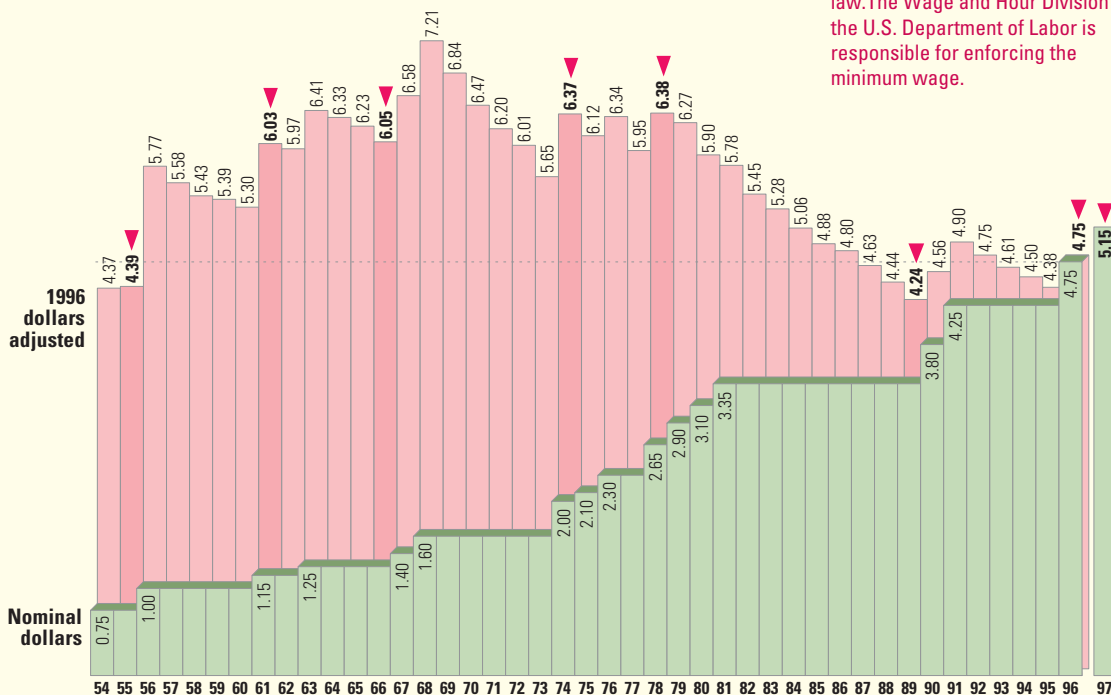
Unemployment rate

is the percentage of unemployed or not seeking work in the civilian labor force. In 1997, the rate was 4.9%, or 6.7 million.

Amount of the Federal Minimum Wage, 1954-1996

(hourly wage, dollars) Source: U.S. Bureau of Labor Statistics

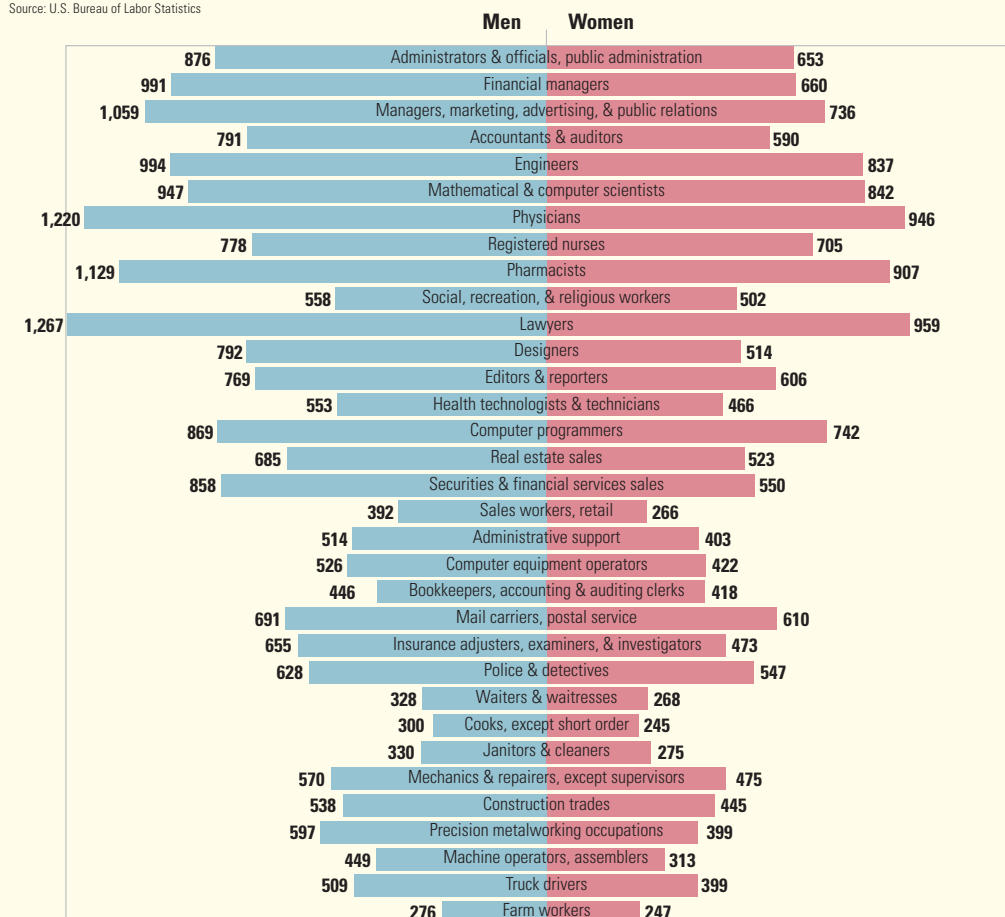
Fair Labor Standards Act's amendment



The federal minimum wage provisions are contained in the Fair Labor Standards Act (FLSA). To increase it, Congress must pass a bill which the President signs into law. The Wage and Hour Division of the U.S. Department of Labor is responsible for enforcing the minimum wage.

Median weekly earnings of full-time workers by occupation, 1997

(dollars) Source: U.S. Bureau of Labor Statistics



The U.S. Bureau of Labor Statistics expects the American labor force to grow to 149 million in 2006. By that time, the median age of the labor force will approach 41, a level not seen in the United States since the 1960s.

The Urban Institute's 1998 "Does Work Pay? An Analysis of the Work Incentives Under TANF" study concluded that when a single parent, two-child family moves from no work and welfare to a part-time minimum wage job, family income "grows dramatically"—by an average of 51% for 20 hours of work per week at \$5.15 per hour.

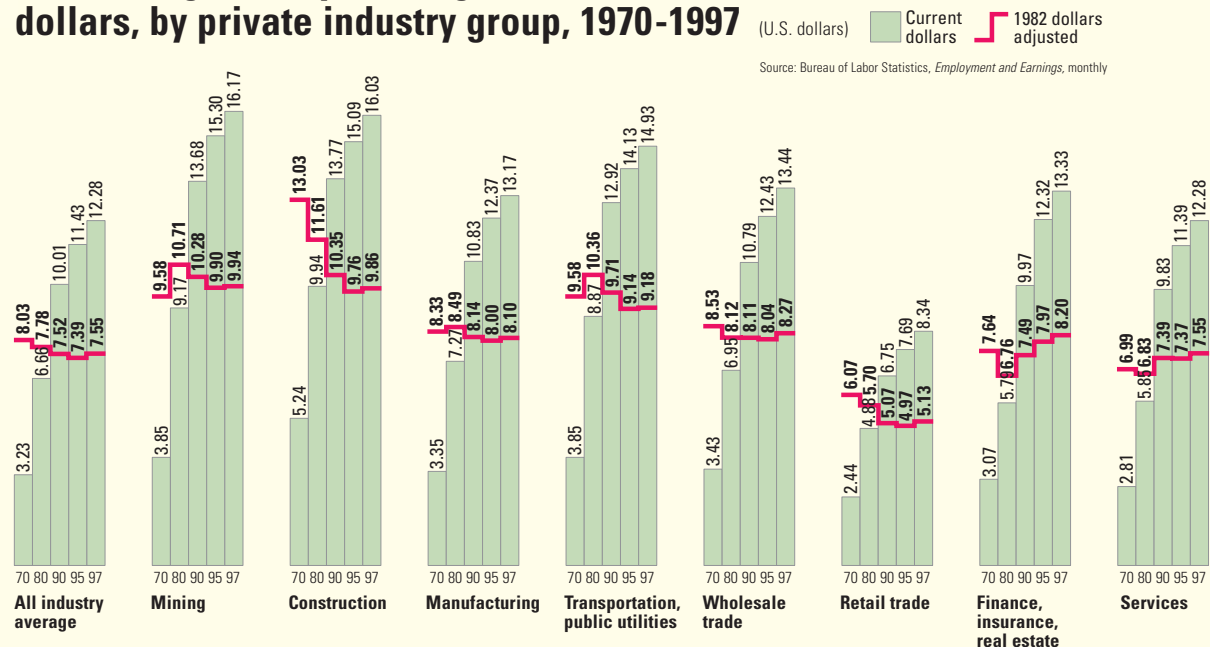
In 1997, a full-time worker (40 hours per week) earning the minimum wage would have monthly wages of \$824.

In 1997, 79% of Americans spoken to by Washington's Peter Hart and Associates said they had "pretty much or most everything" they needed.

The number of children living in poverty (who have at least one working parent) has increased by 35% since 1989, according to Baltimore's Annie E. Casey Foundation.

From 1979 to 1995, says the U.S. Census Bureau, the median earnings of an American woman with a full-time job increased by \$1,925, in constant dollars. In the same span, the median earnings of an American man with a full time job increased by \$2,816.

U.S. average hourly earnings in current and constant (1982) dollars, by private industry group, 1970-1997



- ◆ **1999 highest paid CEO**
Charles B. Wang, CEO of Computer Associates International, got the largest public-company bonanza ever. He raked in stock worth \$670 million when the shares met price targets set in 1995. Computer Associates took a \$675 million after-tax charge for \$1.1 billion in payouts to Wang and other top execs.
- ◆ **1998 highest paid CEO**
is Michael Eisner, CEO of Walt Disney, with \$575.6 million. In comparison, an average worker's pay is \$22,976. (*Business Week*)

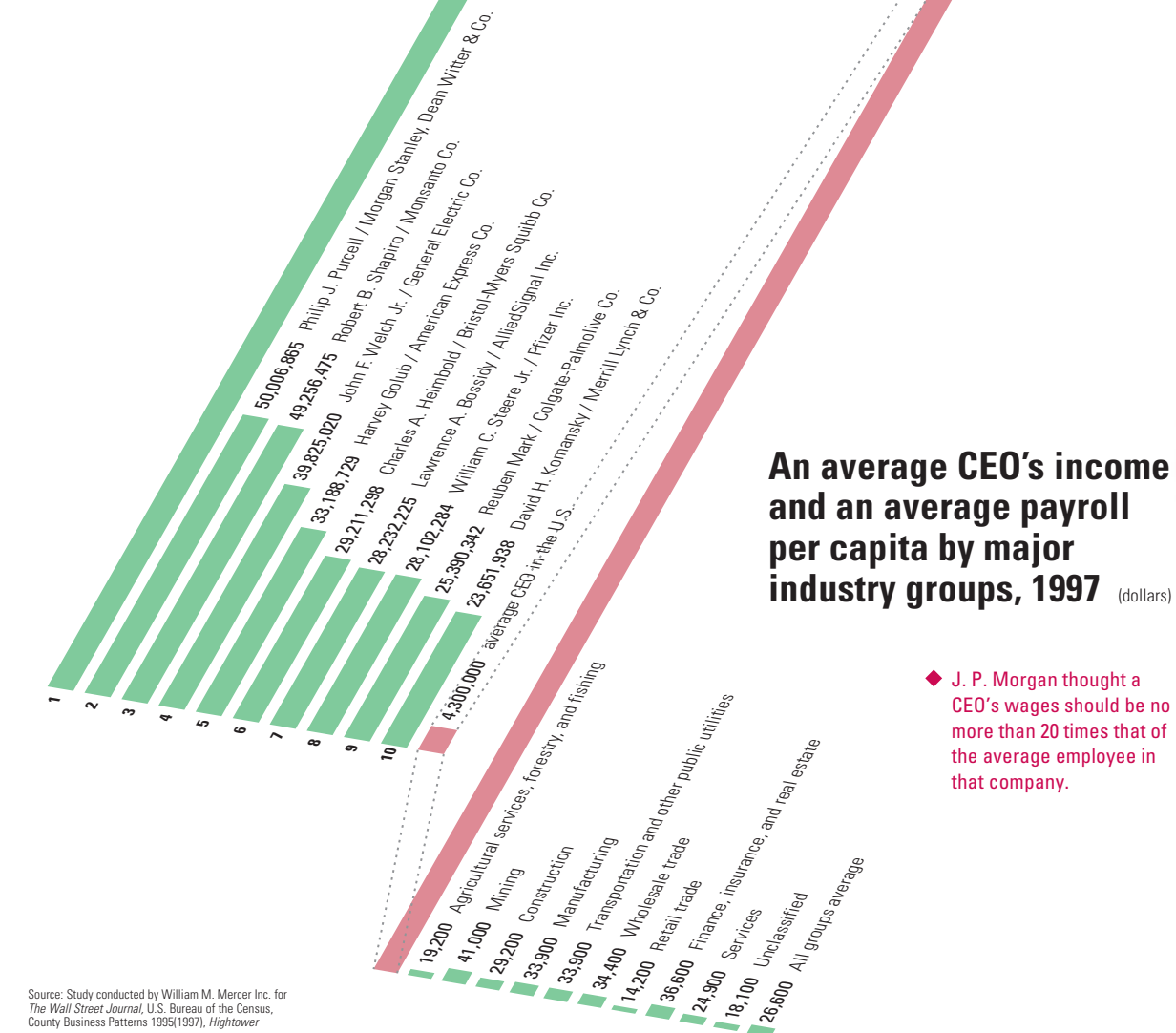
Employee Compensation

Why are CEO's incomes increasing faster than average?



10 highest-paid CEO's direct compensation 1997, and an average CEO's income

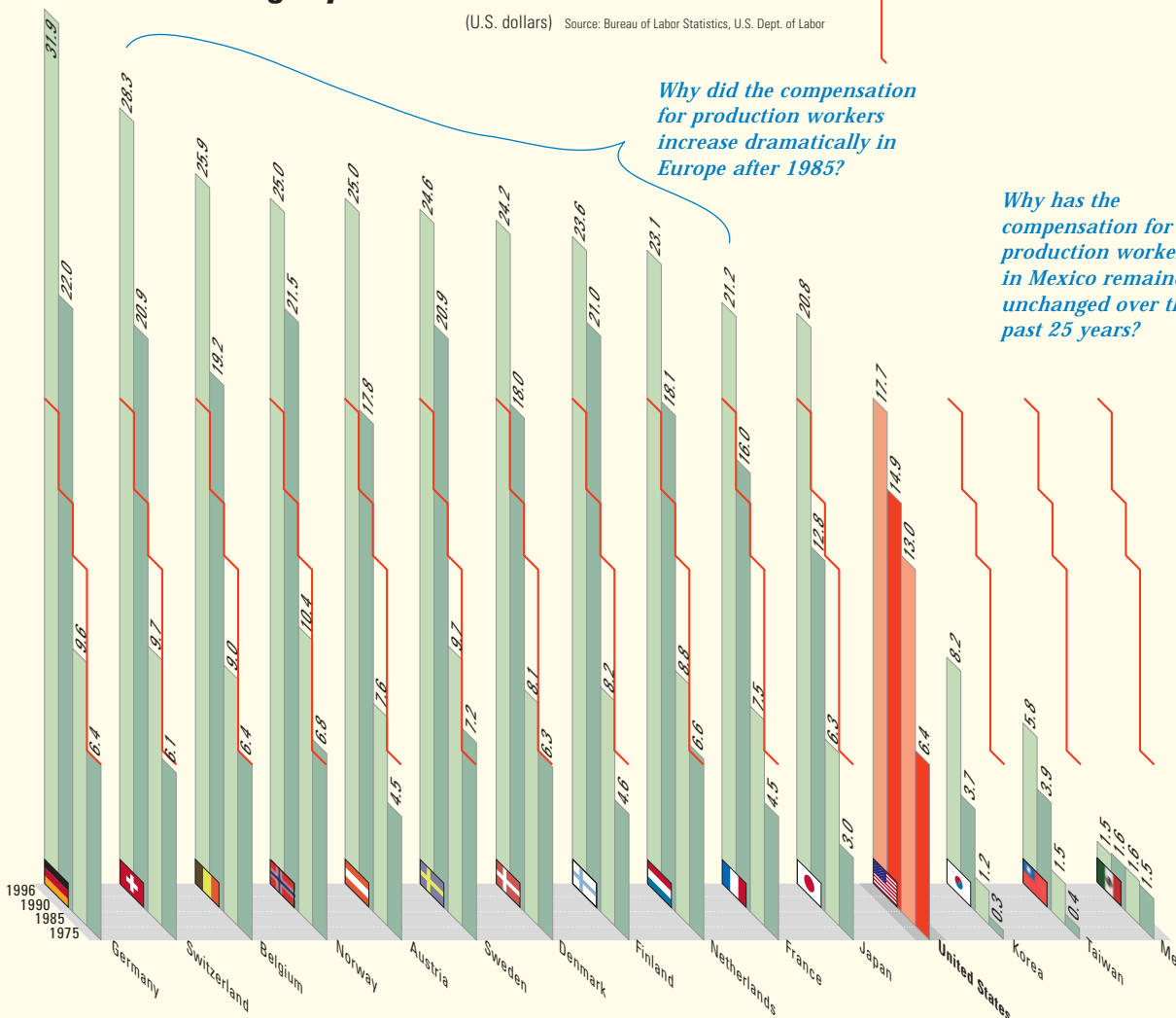
(dollars)



An average CEO's income and an average payroll per capita by major industry groups, 1997

- ◆ J. P. Morgan thought a CEO's wages should be no more than 20 times that of the average employee in that company.

Hourly compensation costs for production workers in manufacturing, by selected countries, 1975-1996



Real wages in 1998 were 13% below what they were in 1974, according to the July/August 1998 *Compensations & Benefits Review*. The average nonsupervisory employee still makes almost \$41 per week less in real terms than he or she did in 1974.

From 1997 to 1998, real wages in the service-producing industries increased 3.9%. Wages in transportation and utilities increased 4%, and wages in finance, 5.4%. Wages in manufacturing, however, only increased by 1.9%.

Productivity in 1997 increased 1.7% in the nonfarm business sector. In manufacturing, productivity increased 4.4% (its largest hike in more than 10 years), especially in the making of durable goods, which saw a dramatic increase of 5.7%.

In 1998, computer science graduates received starting salary offers averaging \$40,843—a 9% increase from figures posted in 1997, according to the National Association of Colleges and Employers' April 1998 Salary Survey Report.

A recent study conducted for the Information Technology Association of America by Virginia Polytechnic Institute estimates that 346,000 computer programmer and systems analyst jobs are vacant in U.S. companies with more than 100 employees.

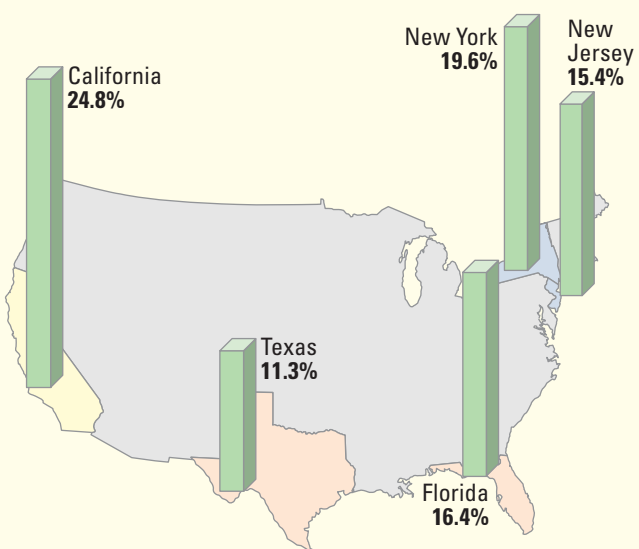
The July/August, 1998 *Compensation and Benefits Review* projected 1998 salary increases:
For executives: 4.2%
For middle managers: 4.1%
For technical and administrative workers: 4.0%

Immigration

Where are our immigrants from? Where are they living?



States with highest foreign-born population percentage



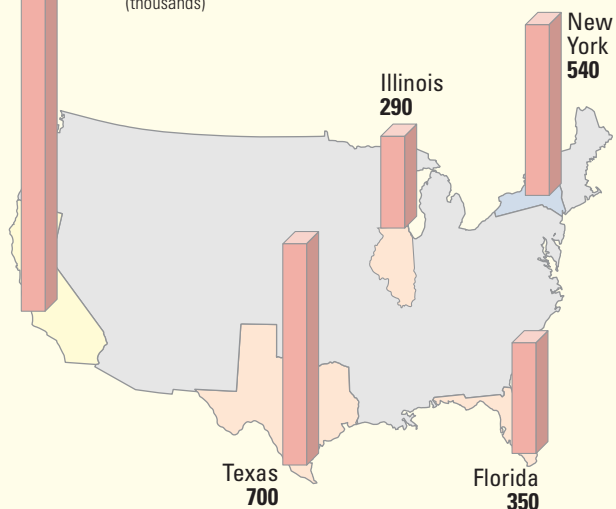
Foreign-born (or immigrant)

Someone who enters another country to live there.

In 1997, the foreign-born population of the U.S. numbered 25.8 million, or 9.7% of the total population. In March 1997, about 35% of the foreign-born were naturalized citizens.

Top 5 states of estimated illegal immigrants' residence

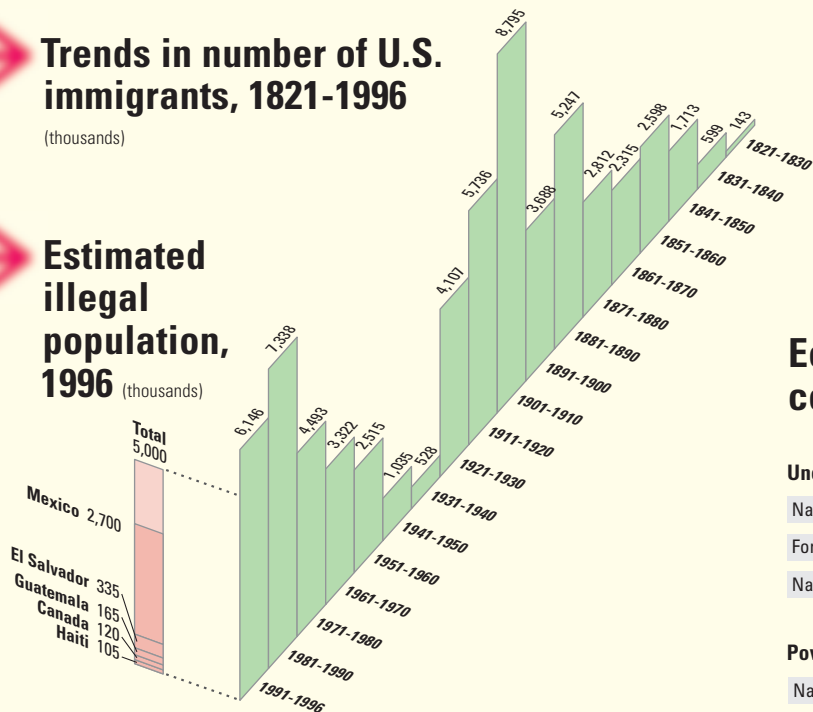
(thousands)



Persons born in Central America, South America, or the Caribbean accounted for 51% of the total foreign-born population (13.1 million). About 27% of the foreign-born are from Asia, and 17% come from Europe.

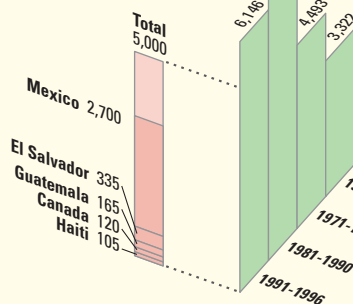
Trends in number of U.S. immigrants, 1821-1996

(thousands)



Estimated illegal population, 1996

(thousands)



Source: U.S. Immigration and Naturalization Service, Wall Street Journal Almanac 1999, p.115

Economical status comparison, 1997

Unemployment rate

Naturalized citizen	4.3%
Foreign-born noncitizen	8.4%
Native-born American	5.4%

Poverty rate

Naturalized citizen	10.4%
Foreign-born noncitizen	26.8%
Native-born American	12.9%

Source: U.S. Bureau of the Census, Current Population Report, March 1998, Wall Street Journal Almanac 1999, p.115

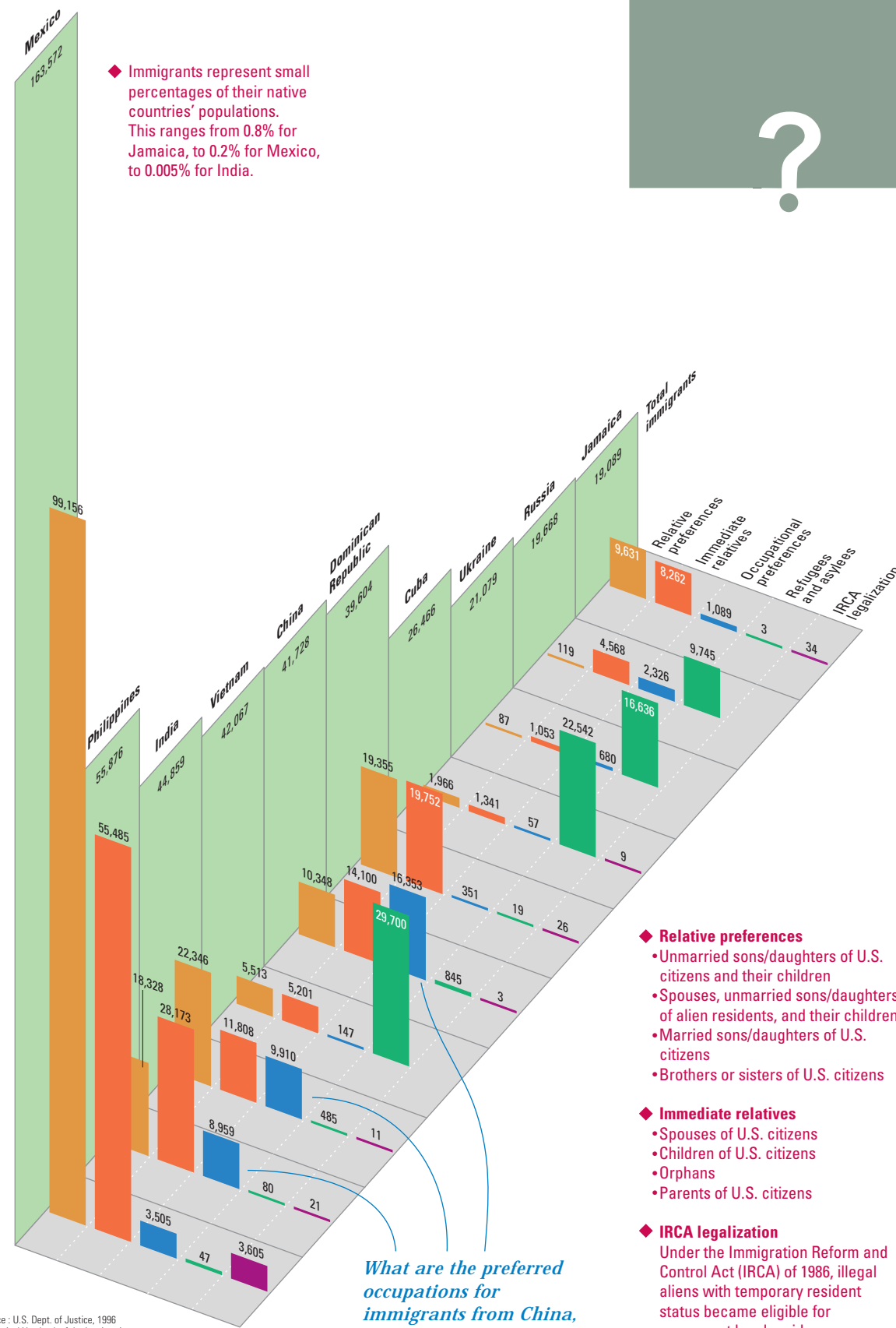
As the natural increase of the U.S. population slows, immigration has become an increasingly important factor in population and labor-force dynamics.

Although white non-Hispanics are expected to account for by far the largest share of the labor-force in 2006 (73%), their rate of population growth is actually slower than that of black, Asian, and Hispanic groups.

Immigration and Naturalization Service. Dept. of Justice. U.S. www.ins.usdoj.gov/graphics/index.html The Federal agency that administers the nation's immigration laws. You will see that INS mission involves a variety of inter-related functions.

Top 10 countries for U.S. immigrants by categories of admission, 1996

Immigrants represent small percentages of their native countries' populations. This ranges from 0.8% for Jamaica, to 0.2% for Mexico, to 0.005% for India.



What are the preferred occupations for immigrants from China, India and the Philippines?

Source: U.S. Dept. of Justice, 1996 Statistical Yearbook of the Immigration and Naturalization Service (1997).

The U.S. Census Bureau ranked Africa highest among continents of origin of the most highly educated immigrants to the U.S. in 1995.

"About 8 million foreigners emigrate to the U.S. legally every year. In addition, the Immigration and Naturalization Service (INS) estimates another 300,000 a year enter illegally or overstay their visas, adding to the 4 million illegal immigrants that already live in the country," according to the Annual Report of the United States.

March, 1998 Census Bureau reports indicate that about 25% of both foreign-born and native-born Americans aged 25 and over had completed four or more years of college. At the same age level, 34.7% of the foreign-born population, and 15.6% of the native-born population had not finished high school.

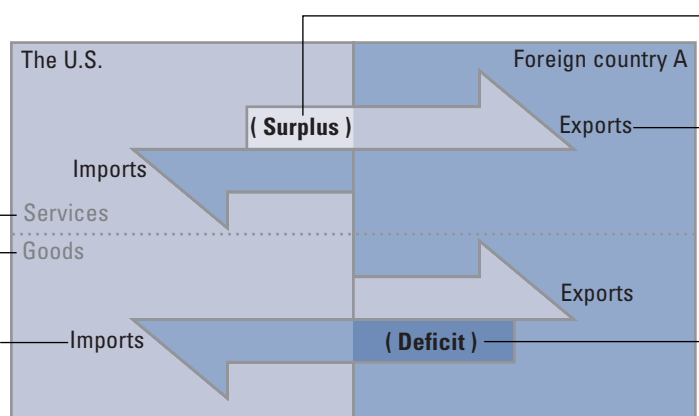
What is FOREIGN TRADE?

◆ The activity of buying, selling, or exchanging goods, between countries.

◆ A business that provides help or does work for people rather than producing things.

◆ Things that are produced in order to be sold.

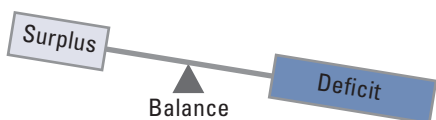
◆ The business of bringing products into one country from another in order to be sold, or the products that are sold.



◆ The state of having sold more goods to another country than you have bought from it.

◆ The business of selling and sending products to another country, or the products that are sold.

◆ The difference between the amount of money that a country has and the greater amount that it needs.



Exchange Rates

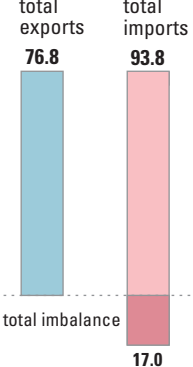
Because countries have their own currencies, trade also involves exchanging or trading currencies. The exchange rate between currencies represents the ratio at which they can be exchanged or the price of one currency in terms of the other.

The exchange rate for almost all world currencies is now determined by the market. The exchange rate of a currency rises or appreciates when the demand for it rises and/or the supply falls. This may happen because foreign buyers want to buy more of a nation's goods or because consumers within the country decide to buy fewer imports. It may also happen because the country reduces its money supply. Countries' central banks can manipulate exchange rates slightly by buying and selling their own and other currencies. (Source: *New York Times Almanac 1999*, p.500)

◆ **The balance of trade** is an important issue because it indicates how a nation's economy changes and, ultimately, about its competitiveness vis-à-vis other countries. A rising balance of trade deficit indicates an economy is unable to sell its goods abroad, and that consumers favor imports over domestically produced goods.

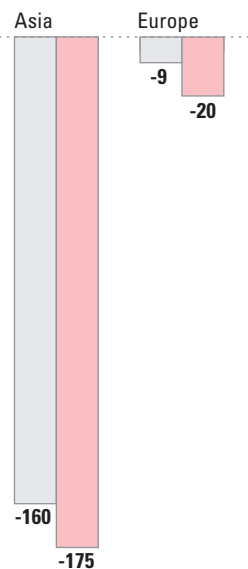
U.S. international trade, Jan. 1999

(billions of dollars)



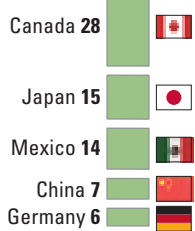
U.S. trade deficit, regional view

(year to date at an annual rate, billions of dollars)



Top 5 countries with which the U.S. trades Feb. 1999

(billions of dollars)



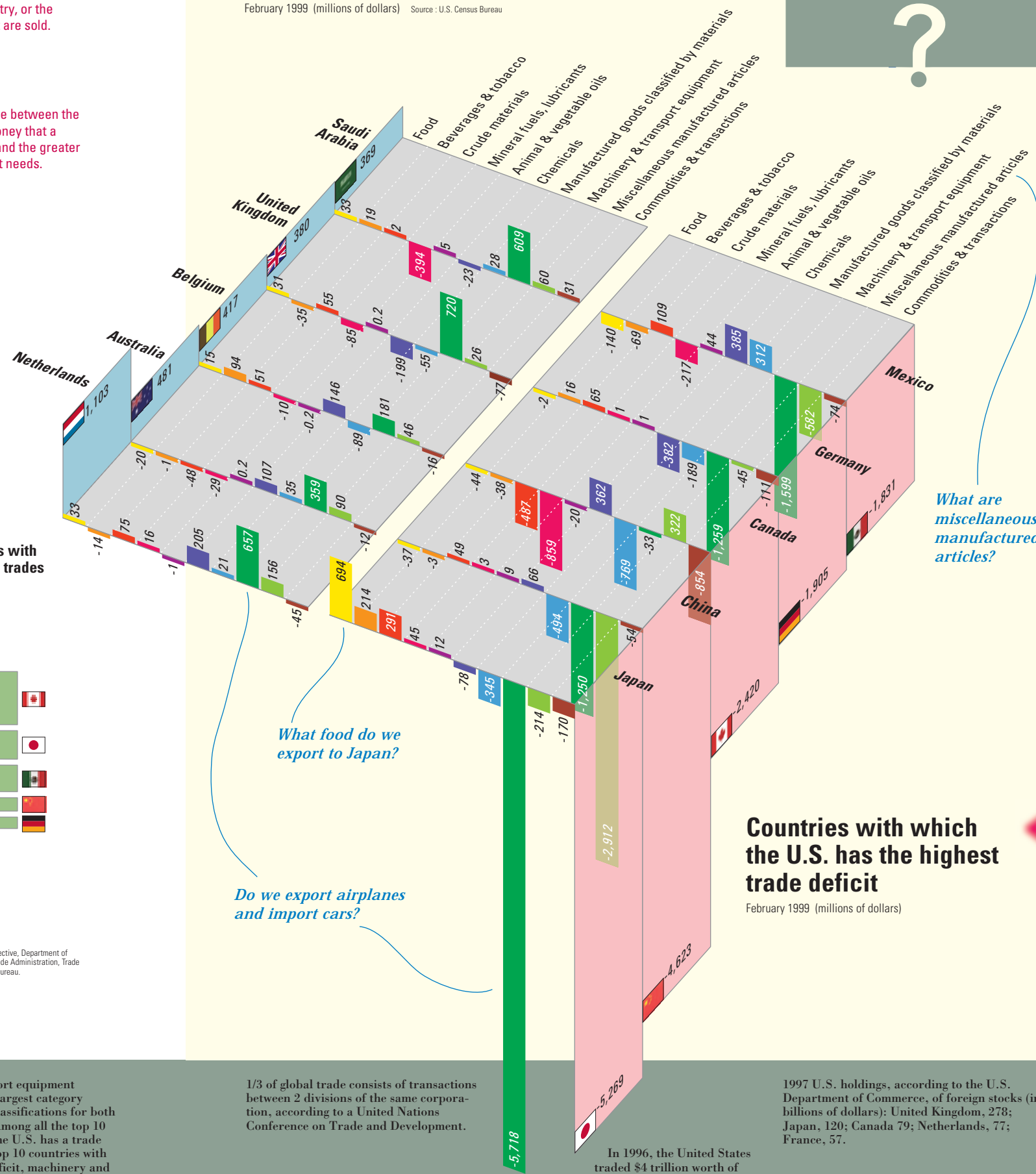
Source: U.S. trade in perspective, Department of Commerce, International Trade Administration, Trade development; U.S. Census Bureau.

The fastest growing U.S. export sectors are chemicals, pharmaceuticals, food, and electronic equipment.

Machinery and transport equipment together comprise the largest category within 10 U.S. goods classifications for both imports and exports. Among all the top 10 countries with which the U.S. has a trade surplus, and 7 of the top 10 countries with which it has a trade deficit, machinery and transport equipment are the most often traded goods.

Countries with which the U.S. has the highest trade surplus

February 1999 (millions of dollars) Source: U.S. Census Bureau



What food do we export to Japan?

Do we export airplanes and import cars?

What are miscellaneous manufactured articles?

Countries with which the U.S. has the highest trade deficit

February 1999 (millions of dollars)

In 1996, the United States traded \$4 trillion worth of goods with countries cited by the State Department for torture, among them Mexico, South Korea, and China.

1997 U.S. holdings, according to the U.S. Department of Commerce, of foreign stocks (in billions of dollars): United Kingdom, 278; Japan, 120; Canada 79; Netherlands, 77; France, 57.

Foreign Trade. Census Bureau. Dept. of Commerce. U.S. www.census.gov/foreign-trade/www/pub/ftd/msftd.html Census Bureau's latest information on imports, exports, shipping, and customs data.

Why are we the biggest importer, exporter and deficit holder?



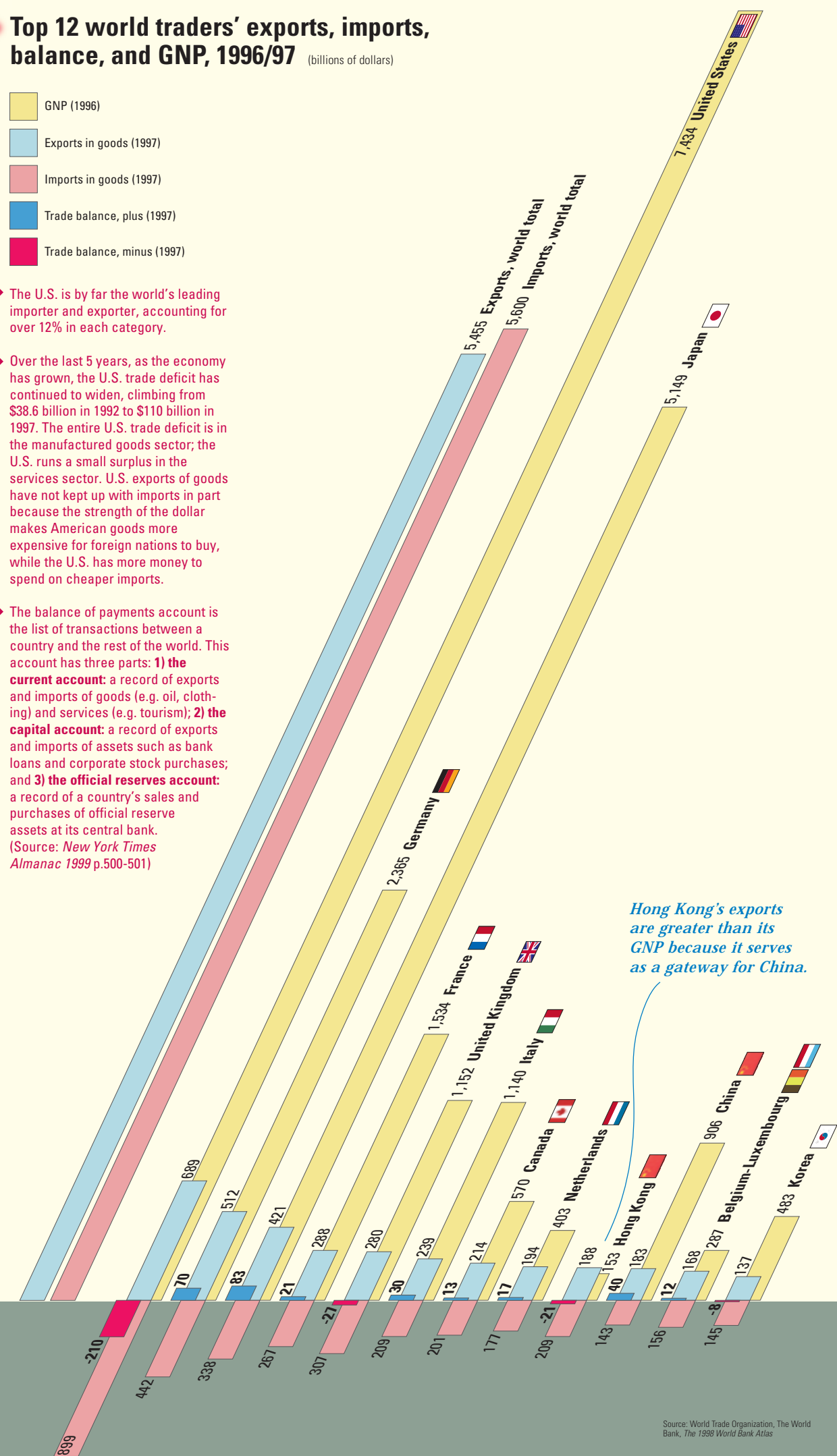
Top 12 world traders' exports, imports, balance, and GNP, 1996/97 (billions of dollars)

- GNP (1996)
- Exports in goods (1997)
- Imports in goods (1997)
- Trade balance, plus (1997)
- Trade balance, minus (1997)

The U.S. is by far the world's leading importer and exporter, accounting for over 12% in each category.

Over the last 5 years, as the economy has grown, the U.S. trade deficit has continued to widen, climbing from \$38.6 billion in 1992 to \$110 billion in 1997. The entire U.S. trade deficit is in the manufactured goods sector; the U.S. runs a small surplus in the services sector. U.S. exports of goods have not kept up with imports in part because the strength of the dollar makes American goods more expensive for foreign nations to buy, while the U.S. has more money to spend on cheaper imports.

The balance of payments account is the list of transactions between a country and the rest of the world. This account has three parts: **1) the current account:** a record of exports and imports of goods (e.g. oil, clothing) and services (e.g. tourism); **2) the capital account:** a record of exports and imports of assets such as bank loans and corporate stock purchases; and **3) the official reserves account:** a record of a country's sales and purchases of official reserve assets at its central bank. (Source: *New York Times Almanac 1999* p.500-501)



Hong Kong's exports are greater than its GNP because it serves as a gateway for China.

Source: World Trade Organization, The World Bank, *The 1998 World Bank Atlas*

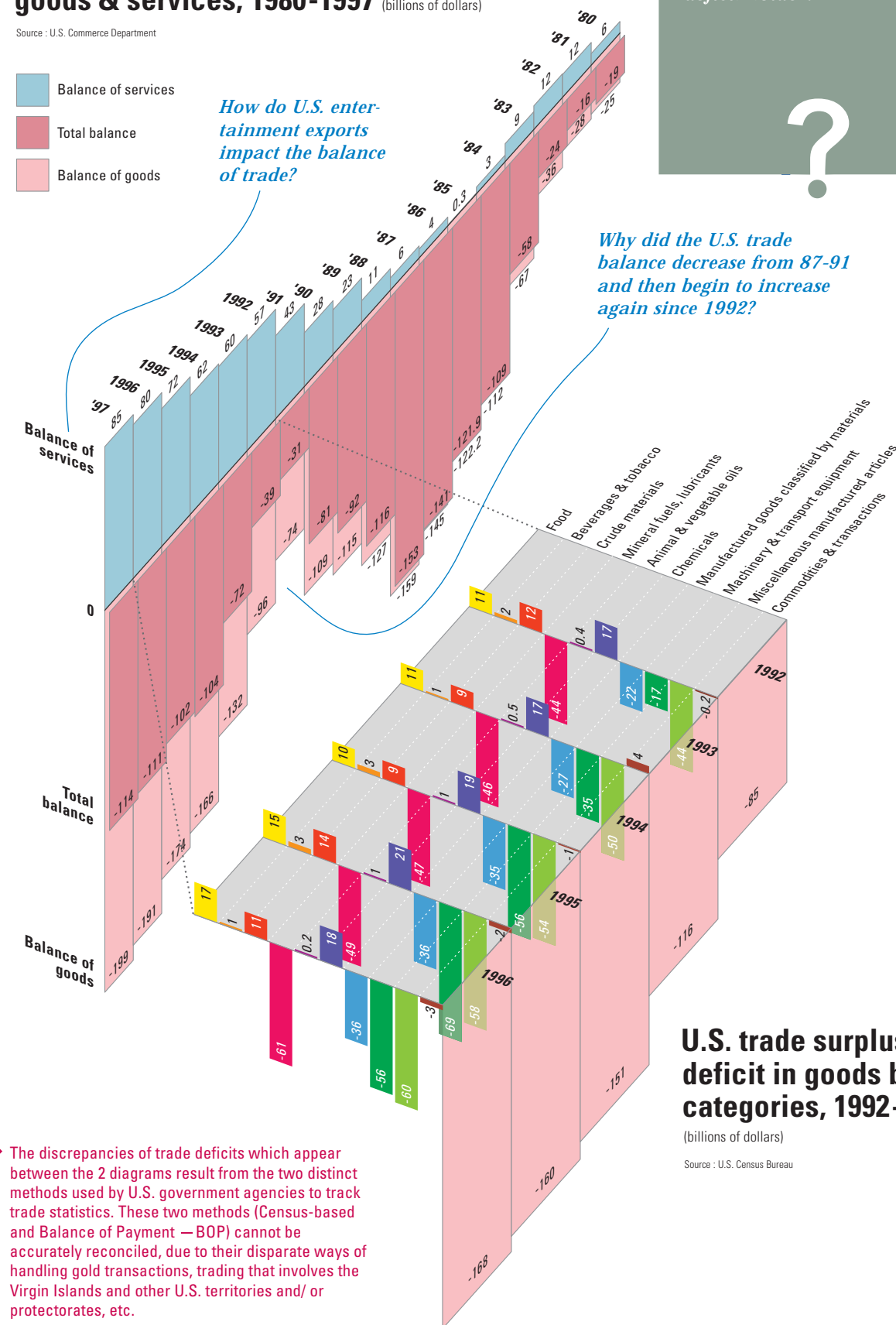
Trends of U.S. trade balance in goods & services, 1980-1997 (billions of dollars)

Source: U.S. Commerce Department

- Balance of services
- Total balance
- Balance of goods

How do U.S. entertainment exports impact the balance of trade?

Why did the U.S. trade balance decrease from 87-91 and then begin to increase again since 1992?



U.S. trade surplus & deficit in goods by categories, 1992-1996 (billions of dollars)

(billions of dollars)

Source: U.S. Census Bureau

The discrepancies of trade deficits which appear between the 2 diagrams result from the two distinct methods used by U.S. government agencies to track trade statistics. These two methods (Census-based and Balance of Payment — BOP) cannot be accurately reconciled, due to their disparate ways of handling gold transactions, trading that involves the Virgin Islands and other U.S. territories and/ or protectorates, etc.

Foreign Direct Investment (FDI) is investment by private companies, either through an existing enterprise or the building of new facilities, within the territory of another nation.

The United States accounts for more than 12% of the world's imports and exports, more than any other nation.

The total amount of private capital going from the U.S., Japan, and the European Union to developing countries rose from \$44.4 billion in 1990 to \$243.8 billion in 1996, according to the 1999 *New York Times Almanac*.

Why does the U.S. not have the highest GNP per capita?



What is GNP?

◆ **GNP (Gross National Product)** is the total market value of **final goods and services** (i.e., income) of residents of a country, including income they receive from abroad, but not including payments to foreigners.

◆ **What is final goods and services?** Intermediate goods such as plastic, glass, cotton, etc., are not counted since they are not in their final state. Including only final goods and services prevents double counting and thus avoids an overstatement of GDP (GNP). Final goods include household purchases, since they will not be used to produce other goods and services.

◆ **GDP (Gross Domestic Product)** is the market value for all **final goods and services** produced within a nation in a given time period.

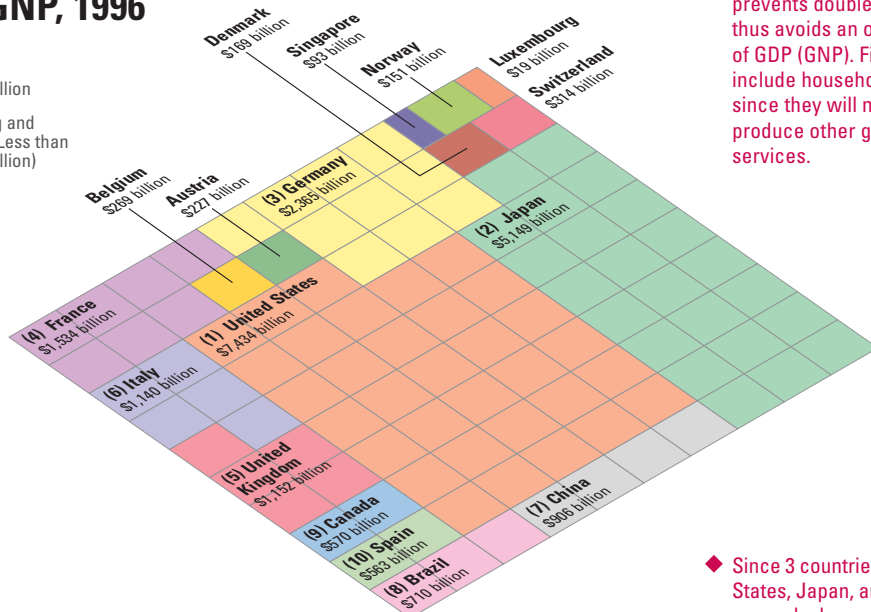
◆ **Economic classification by the World Bank** (based on average annual per capita income)

High-income : \$9,636-	Developing country
Middle-income : \$786-\$9,635	
Low-income : ~\$785	

Countries with highest GNP, 1996

(billions of dollars)

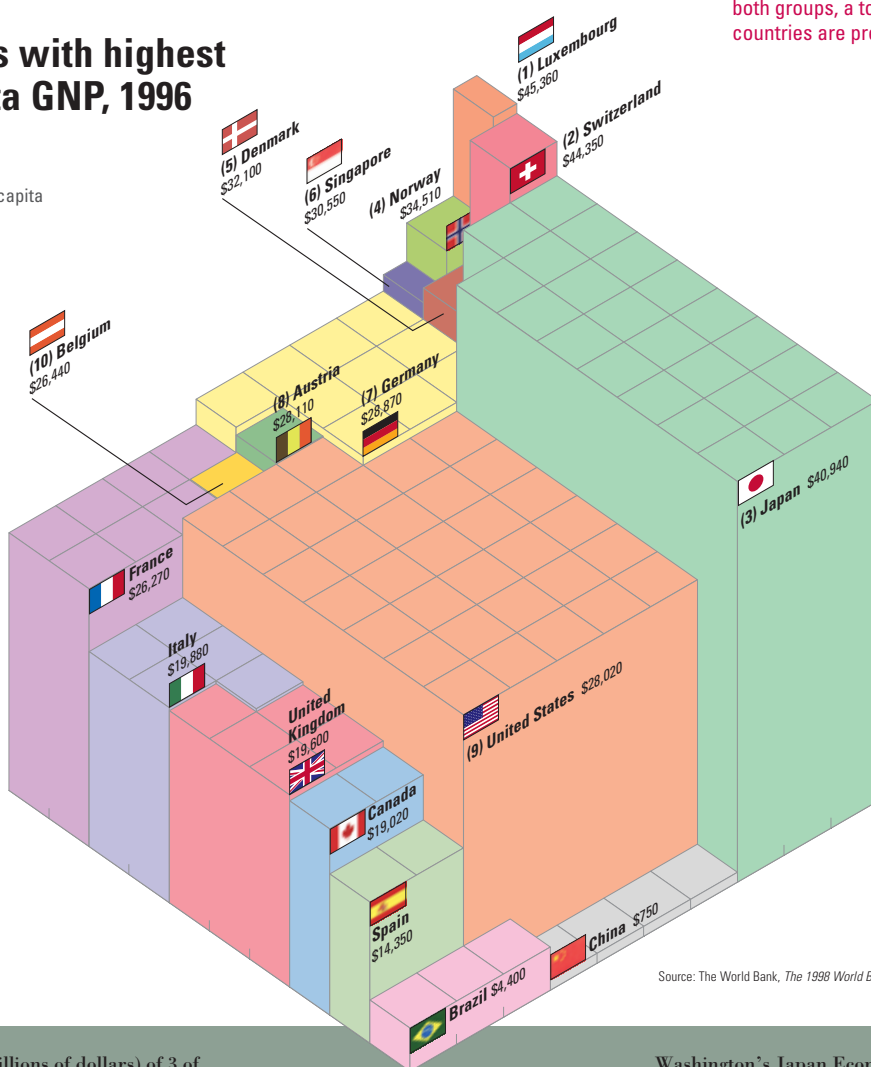
◇ GNP \$228 billion
◇ Luxembourg and Singapore (Less than GNP \$100 billion)



Countries with highest per capita GNP, 1996

(dollars)

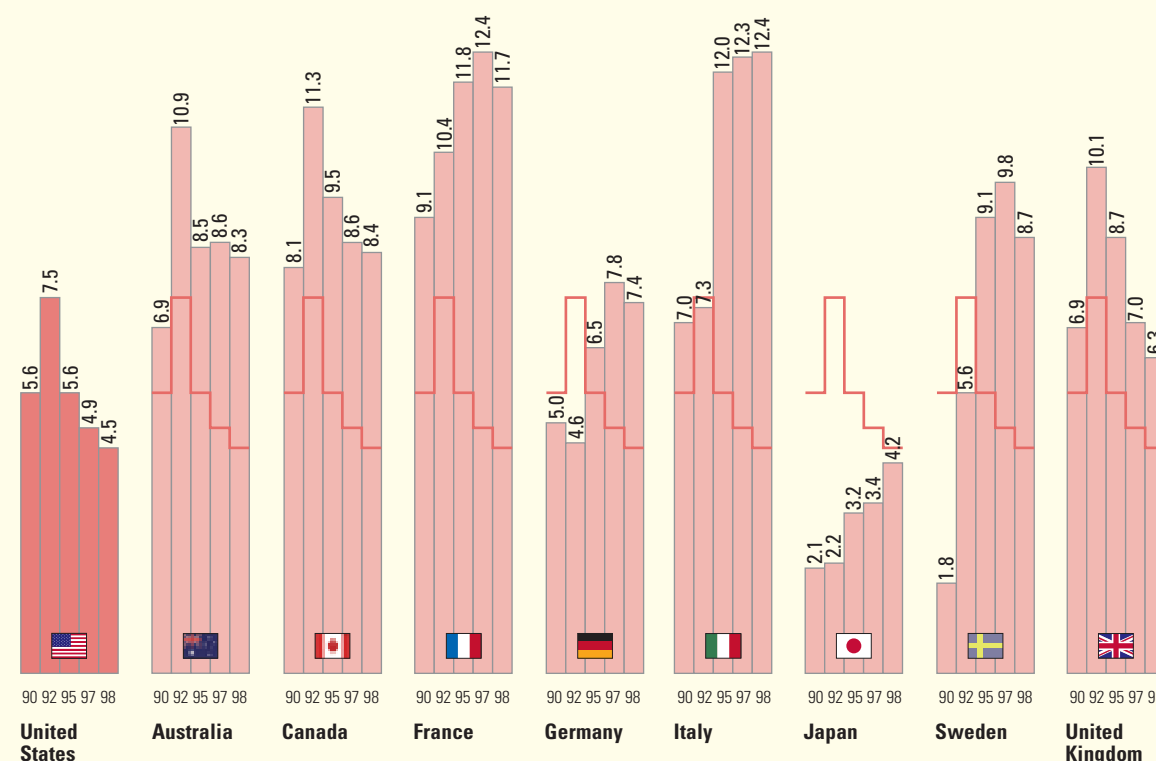
◇ GNP per capita



◆ Since 3 countries — the United States, Japan, and Germany — are ranked among the top 10 in both groups, a total of 17 countries are presented.

Unemployment rate trends, 1990-1998 (%)

Source : U.S. Bureau of Labor Statistics



◆ America's unemployment rate (which count only those people who are both "unemployed" and "currently looking for work") is at a historically low level. Yet each percentage point of unemployment represents more than 1.3 million Americans without paying jobs. What's more, these official unemployment statistics do not include: the "discouraged" job-seeker who has unsuccessfully sought work for so long that he is not currently looking; the worker who received compensation for doing freelance work or odd jobs, etc.; the workers who were "laid off"; or the workers who are too proud to admit being without work, and others. (Source: Hightower)

The 1996 GNP (in billions of dollars) of 3 of the world's major economies: United States, 7,434; European Union, 8,469, and Japan, 5,149, according to the World Bank.

The 15 member states of the European Union: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

Washington's Japan Economic Institute reports that Japan estimates the bad debt held by its banks represents 17.5% of that nation's GDP. In 1988, the bad debt held by American S&Ls totaled 3.2% of the U.S. GDP.

The Joint Committee on Taxation in Washington recently estimated that multinational corporations legally avoided \$10.1 billion in U.S. taxes by using foreign accounts in 1988.

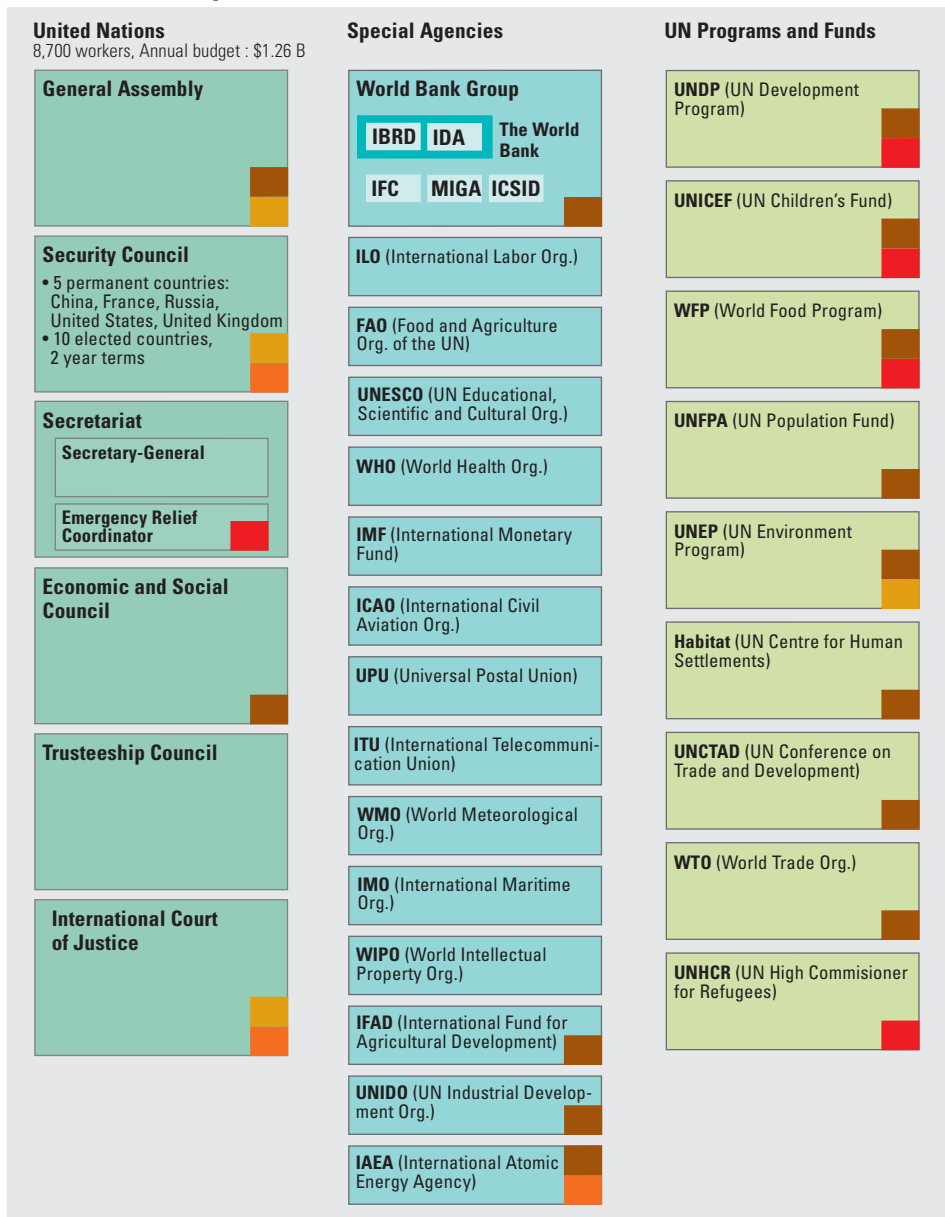
The 1997 *Annual Report of the United States* specifies, "Currently the future liabilities of the federal government total \$20.7 trillion. This translates to almost \$80,000 owed for every man, woman, and child in the U.S.A."

○ Restoring Global Financial Stability. United States Information Agency. www.usia.gov/regional/ea/asiafin/globefin.htm USIA site designed to highlight American efforts to sustain a rational international financial system.

What is the United Nations?

- Established in 1945. Members: 185 countries; Four purposes
- to maintain international peace and security
- to develop friendly relations among nations
- to cooperate in solving international problems and in promoting respect for human rights
- to be a center for harmonizing the actions of nations.

United Nations System 52,280 workers. Annual cost : \$18.2 B

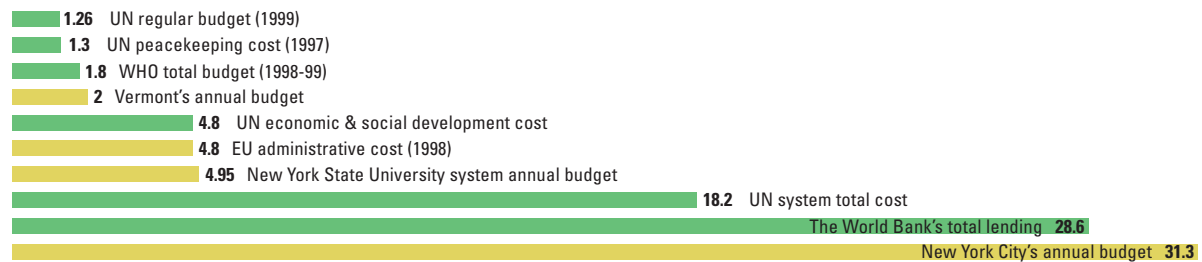


- Peace
 - Justice, human rights and international law
 - Humanitarian assistance
 - Development
- General Assembly**
All UN member states are represented in the General Assembly, a kind of parliament of nations which meets to consider the world's most pressing problems.
 - Security Council**
The UN Charter gives the Security Council primary responsibility for maintaining international peace and security. The Council may convene at any time, day or night, whenever peace is threatened.
 - Economic and Social Council**
The Council plays a key role in fostering international cooperation for development. It also consults with non-governmental organizations (NGOs), thereby maintaining a vital link between the United Nations and civil society.
 - International Court of Justice**
Consisting of 15 judges elected by the General Assembly and the Security Council, the Court decides disputes between countries.

Source : The UN in brief, Facts about the United Nations, www.un.org.

Budget comparison, the UN and other organizations

(billions of dollars) Source : www.un.org, www.worldbank.org



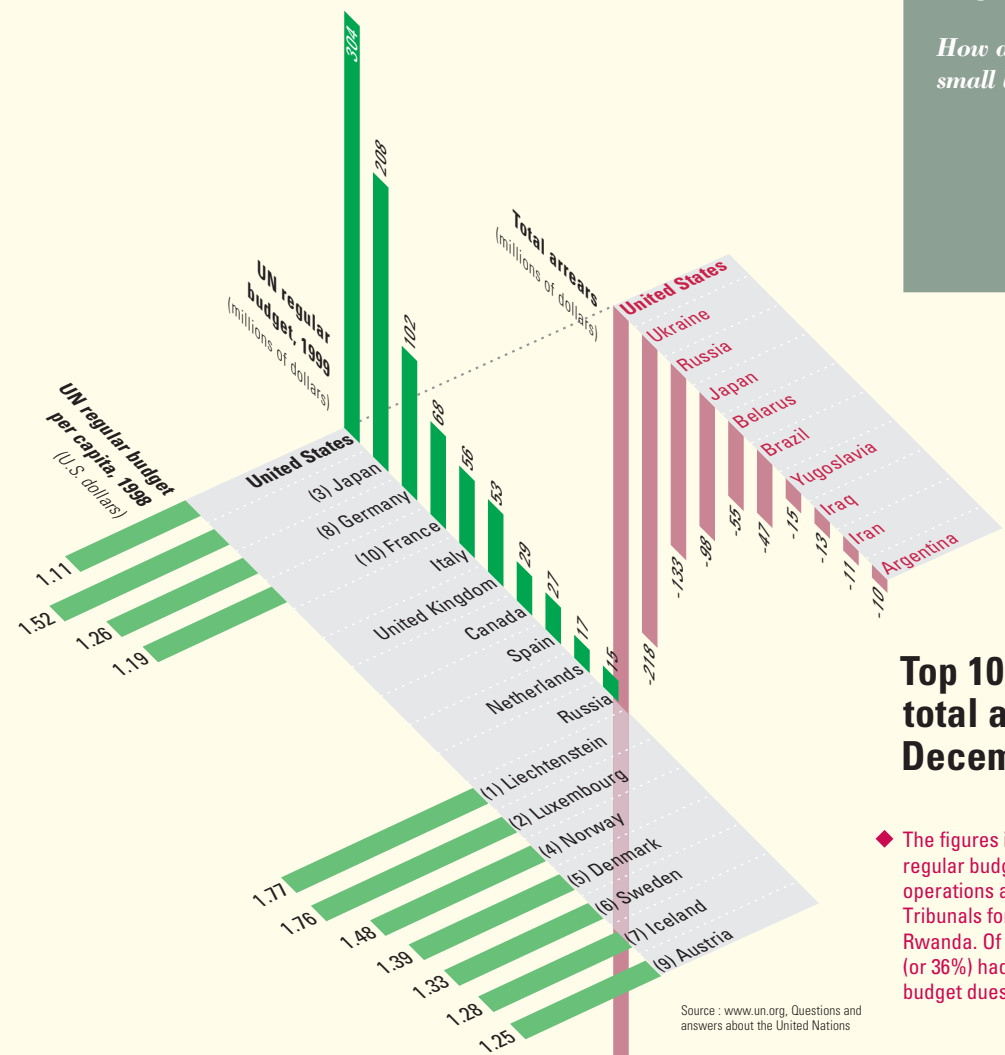
The UN system is a major purchaser of goods and services, totalling nearly \$3 billion a year. UNICEF buys half of the vaccines produced in the world, while the UN Population Fund is the world's largest purchaser of contraceptives.

U.S. companies are consistently the largest sellers of goods and services to the UN. In 1997, U.S. companies secured 59% of procurement done by the UN Headquarters in New York (\$192 million out of \$327.5 million).

The World Health Organization has concluded an agreement with the British pharmaceutical company SmithKline Beecham for a \$1.5 billion, 20-year campaign to eradicate elephantiasis globally.

Information technology companies are providing technical assistance to an automated customs system developed by the UN Conference on Trade and Development.

Top 10 contributors to the UN regular budget, 1998/1999



The United Nations

How does it run on such a small budget?



Top 10 countries in total arrears to the UN, December 1998

- The figures include arrears to the UN regular budget, to UN peacekeeping operations and to the UN International Tribunals for the former Yugoslavia and Rwanda. Of the 185 member states, 68 (or 36%) had not paid their regular budget dues in full.

- The World Bank** is a lending institution whose aim is to help integrate countries into the wider world economy and promote long-term economic growth that reduces poverty in developing countries.

- The International Monetary Fund** acts as a monitor of the world's currencies by helping to maintain an orderly system of payments between all countries, and lends money to members who face serious balance of payments deficits.

- The World Health Organization** coordinates programs aimed at the attainment by all people of the highest possible level of health. It works to solve health problems in areas such as immunization, health education and the provision of essential drugs.

In 1997, Time-Warner co-chairman Ted Turner announced a \$1 billion donation to UN development and assistance programs. The world's Rotary Clubs have given more than \$400 million to WHO's efforts to eradicate polio, and the world's Lions Clubs support many UNICEF programs.

UN appeals raise over \$1 billion a year for emergency assistance to people affected by war and natural disaster.

The U.S. is both the highest-assessed UN member (\$304 million) and the UN member with the greatest debt (\$1.6 billion).



Embroidered flag patch, circa 1986 from the collection of Kit Hinrichs