

Business Briefs

Transport

Airlines can't keep up maintenance

The U.S. airline industry does not have enough capacity to meet new inspection and repair requirements for aging airliners, a new study by the General Accounting Office has found.

Recent safety regulations call for vastly upgrading the inspections and repairs performed on older airframes, and could affect 1,400 aircraft of the 4,100 planes in the U.S. fleet.

Increased costs for the new regulations are expected to total \$2 billion over the next four years. By comparison, about \$2 billion is spent each year repairing airframes, and the total of all maintenance and repair performed on U.S. airliners is about \$5.7 billion.

Environmentalism

Clean Air Act's cost seen as high

The cost of "clean air" could be catastrophic, according to a number of recent studies. The U.S. Department of Energy's Clean Air Working Group, headed by William Fay, recently issued its analysis of the economic impact of the recently passed amendments to the 1970 Clean Air Act. The group's estimate is that the new law will add \$50 billion per year to the \$32 billion they estimate the nation is already spending to meet existing federal and state laws. The hardest hit will be small enterprises such as bakeries and dry cleaners, which are in no position to meet the regulations.

During a press conference in Washington Nov. 8, Fay said that the costs of the Clean Air bill "will be passed on to consumers in the form of higher prices of almost all consumer products."

Smokestack emission control equipment to control acid rain-forming emissions from 111 electric power generating plants may not be available in time to meet the 1993 dead-

line, which means the utilities might have to shut down the most polluting capacity and pay fines on the rest. The same is the case with most petroleum refineries which will not be able to retool fast enough to meet the reformulated gasoline standards.

According to a study done at the Center for Study of American Business at Washington University in St. Louis, the costs of the Clean Air Act will far outweigh the benefits. Using estimates of health benefits to be derived by the new ozone standards from a Resources for the Future report, the study says that the cost of reducing ozone levels "requires expenditures that are from two-and-a-half to five times greater than the value of the health benefits derived."

President Bush is expected to sign the bill, despite objections from within the administration, especially from Council on Economic Advisers head Michael Boskin.

Economic Theory

Hamilton's method called model for today

A *Wall Street Journal* commentary by New York lawyer Robert A. Hendrickson, author of *The Rise and Fall of Alexander Hamilton*, says that Hamilton's handling of the young republic's debt and use of the national bank could serve as an example for formerly communist regimes, and, if still in force in the United States, might have spared the country the savings and loan crisis.

"When Hamilton left office in 1795, the U.S. had a higher credit rating than any country in Europe. Its bonds, some issued at 4½ and 5% interest, were selling at 10% over par. Talleyrand opined, 'They have been funded in such a sound manner and the prosperity of the country is growing so rapidly that there can be no doubt of their solvency.'"

Hamilton's method, which became known in the 19th century as the "American System" of political economy, is embodied in three reports he wrote for the Congress—"Report on the Subject of Manufacturers," "Report on Public Credit," and "Report on a National Bank"—none of which, nor such related

works as Henry Carey's 1837 *Principles of Political Economy*, are taught in American university economics courses today.

Research

Government cuts undermine R&D base

Cuts in government-supported R&D are forcing scientists to spend all their time trying to raise money for their research, according to a *Wall Street Journal* report. This includes constantly churning out grant proposals and wooing wealthy citizens for private support.

According to the American Association for the Advancement of Science, the federal government is spending 18% less for all research today than it was in 1967 in real dollars. The *Journal* points out that the Reagan-Bush "private sector will pick up the tab" philosophy has not materialized into increased R&D funding.

Recently retired head of the National Science Foundation Erich Bloch told the *Journal*, "We're losing the research base which we have been painstakingly building over the last 40 years." The NSF received from Congress only \$100 million of the \$216 million increase it requested for this fiscal year. The *Journal* points out the well-known fact that non-defense R&D for the U.S. is only 2% of GNP, compared to 2.9% for Japan, and 2.6% for what was formerly West Germany.

Technology

Pentagon pursues projects with Japan

The 1991 Defense Authorization Act includes \$10 million to pursue dual-use technology development with the Japanese, plus another \$10 million to establish university-based Japanese language and management centers, according to the Nov. 11 issue of *Washington Technology*. These centers will teach Japanese to U.S. scientists and engineers, and place them in re-

search and management positions in Japan.

In addition, the Pentagon plans to open a research office in Tokyo to monitor technology development, identify potential cooperative ventures, and facilitate new agreements.

Infrastructure

Taiwan to spend \$71 bn over six years

The government of the Republic of China (Taiwan) will invest \$71 billion in industrial, energy, and other projects with the goal of making Taiwan rank with the developed world within six years, government officials are quoted by Bangkok's *The Nation*.

Under the six-year plan to begin in July, the economic ministry will earmark \$40.29 billion for 135 development projects. The projects on behalf of 10 state enterprises involve energy exploration and development of the steel, chemicals, and heavy machinery industries. The energy plan is designed to ease the island's heavy reliance on energy imports.

The ministry will allocate an additional \$30.77 billion to build more industrial parks and develop water resources. Annual economic growth for Taiwan for the six years has been set at 7% and the planned government investment would contribute about 2% to such growth, government officials say.

The overall budget for the 6-year plan, under final discussion at the Council for Economic Planning and Development, is around \$183 billion. The Finance Ministry has said it would float government bonds to raise funds for the projects.

Biological Holocaust

AIDS up 300% in Ivory Coast

The incidence of AIDS in Ivory Coast, as measured by HIV positive testing, has skyrocketed from 3.3% of pregnant women in 1986 to 10% today, according to the most recent report from

Abidjan, the capital of the African nation.

Dr. Kevin De Cock, who runs the U.S. Centers for Disease Control laboratory in Abidjan, reported that AIDS is the leading cause of death among adult males in the capital, and the second leading cause of death, after child-birth and abortion, among females.

"There are few outward signs that Abidjan is a city under siege," De Cock said. "But if a national disaster had killed this many people, it would have made headlines throughout the world." De Cock also reported that cases of tuberculosis were 35% higher than would ordinarily be expected.

Meanwhile, the AIDS death toll in Kenya has reached 9,000, according to a statement released in early November by the nation's director of medical services. District level health officers report the continued spread of the disease.

Energy

DoE predicts U.S. electricity shortages

The Office of Energy Emergencies at the U.S. Department of Energy (DoE) released a study in early November which reports that the one-third of the nation east of the Mississippi could face "shortages of electricity this winter because available generating capacity may be insufficient to meet peak demand."

The well-known problem areas of Florida and New York are included, but so are the seven-state TVA region and most of the industrial Midwest. The DoE states that the seven regions in danger of power shortages have reserve margins "that are below or nearly below the 5% level considered necessary for minimal security of operation." In reality, the industry standard is a 17% reserve margin, i.e., capacity available above peak demand, so the situation is worse than the DoE acknowledges.

The DoE offers no remedy, except to counsel that consumers in these regions should cut demand by doing their laundry at night, and turning off lights that are not needed.

A forecast of such shortages, and a review of the destruction of the electric power industry appeared in the *EIR* on Oct. 5 and 12.

● **INDIA** has recorded a bumper grain crop and is now preparing to enter world export markets. Total production is expected to be 178-85 million tons in 1990-91.

● **SOUTH KOREA** Science and Technology Minister Chong Kun-mo proposed an expansion of cooperation in science and technology among 18 Pacific Rim countries, at a meeting of their science ministers the first week of November.

● **A HIGH-SPEED RAIL** conference is planned for Leningrad, U.S.S.R. Nov. 18-21, with over 50 representatives of major companies and railways of the United States, Germany, France, Italy, Japan, and others expected to attend.

● **VIETNAM** has been blocked by the United States from buying two European Airbus A310 aircraft it needs to upgrade its national carrier system, a Vietnamese official is quoted by the Bangkok press.

● **EAST BLOC** industrial output has fallen about 10% in Hungary, 28% in Romania, 30% in Bulgaria, and 25% in Poland this year, due to the cutoff of subsidized oil from the Soviet Union, the rise in the world price of oil, and economic troubles in the West.

● **MOODY'S** Investors Services cut the long-term bond ratings of four Japanese banks—Sumitomo, the world's second-largest; Mitsubishi, number four; Topai, number ten; and the Long Term Credit Bank—because of weak earnings and growing real estate problems.

● **HARLEM'S** Freedom Bank, the fourth largest black-owned bank in the U.S., has been seized by the FDIC. The bank has 22,000 depositors and 97 employees. The *Amsterdam News* called the collapse "a profound tragedy and a stunning defeat for the people of Harlem, especially in view of the coming depression."