

TRENDS

VOTING FOR FREEDOM— AND BETTER HOUSING

In the off-year elections in November, a ballot proposal for rent control in Los Angeles County's unincorporated areas suffered a resounding defeat—the final unofficial tally was 41,058 yes votes to 63,549 no votes. What is more broadly interesting about the local event is that rent control lost as badly in lower-income Latino and black areas as in the more-affluent, mostly white conservative areas.

The *Los Angeles Times* reported that Proposition M, which would have restricted rent increases for apartments, mobile-home lots, and other rental properties, was expected to fare badly in white, homeowner-dominated areas; and it did. But many analysts were surprised by the strong anticontrol vote in heavily Latino and predominantly black parts of the county, where there is a high concentration of renters.

The No on M campaign attributed its

victory in these areas to a series of advertisements mailed to voters. These ads pointed out that rent control would hamper housing starts, cause neighborhood deterioration, and undermine property values.

Another important element in the campaign's success, however, was small black landlords arguing the case against rent control with their own tenants. Ron Wright, the campaign coordinator for No on M, said that many black landlords like him own a small five- or six-unit building. "These landlords made our case the best," he noted. "They'd go out and say, 'Don't pass this, it will kill me!'"

No on M strategist George Young told the *Times* that part of the anticontrol campaign originated with Latino voters, as well. Proposition M contained a standard rent-control provision allowing landlords to evict tenants to recover a rental property for the use of their own families, with *family* defined as parents, children, and siblings. And Latinos, Young noted, "objected to the government defining who was in the family. They believe that aunts, uncles, and

grandmothers are just as important as husbands and wives and daughters and sons."

It's not often that the personal-liberty effects of ostensible economic regulation are so evident. This time they were, and freedom's constituency grew.

MORE COMPETITION FOR CABLE

Is cable TV a "natural monopoly," the kind of service best suited to provision by a single firm in a given area, regulated by a government commission? Nearly 40 percent of the households in the United States have been wired for cable TV provided on this model, but growth in competing industries is making it clear that cable is but one of many video and telecommunications services whose proper role will evolve via competition.

Recently the Federal Communications Commission struck two more blows for the competitive model. In a 3-to-0 ruling it invalidated the state of New Jersey's attempt to regulate companies providing Satellite Master Antenna TV (SMATV) services, which use single satellite dishes to serve large apartment complexes, all on private property (whenever cable TV's cables have to cross publicly owned property, government claims a right to regulate on that basis; see "The Viewer Is the Loser," *REASON*, July 1982). The decision freed Earth Satellite Communications to proceed with wiring a 257-unit building in East Orange. But it also opens the door for expansion of SMATV nationwide, including such large systems as that proposed for the 15,000-unit Co-op City in the Bronx. Predictably, the New York state cable-TV commission plans to appeal the decision.

The other case involved the Nevada Public Service Commission's attempt to regulate the pricing of so-called tiered programming offered by the cable firm in Las Vegas. (The term refers to optional services beyond basic cable offered for a separate monthly fee.) The FCC ruled that rates for tiered programming are exempt from state or local regulation.

Action now shifts to the House of Representatives, where a bill to partially deregulate cable is pending. Last summer the Senate passed a companion bill, with support from both the cable in-

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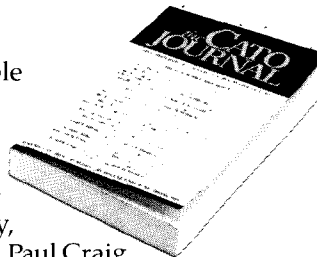
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dustry and the National League of Cities. In a historic compromise, it gives cities explicit authority to grant cable franchises, to require local-access channels, and to regulate rates for *basic* services. But it also (1) limits to five percent of gross revenues the amount cities can assess as an annual franchise fee, (2) provides a presumption in favor of franchise renewal, (3) prohibits regulation of rates or content of any services *other* than basic cable (and even that may not be regulated in cities where four over-the-air channels are available), (4) prohibits regulation of telecommunications services provided by cable companies (except basic voice telephone service), and (5) prohibits common-carrier (utilities-style) regulation of any cable system.

But as of this winter, the compromise was coming undone, with the League of Cities turning against the bill at its New Orleans convention in December, under strong pressure from self-styled consumer and community activist groups. The National Cable Television Association, meanwhile, is pushing hard for the bill, arguing that the alternative would be total deregulation imposed by the competition-minded FCC. Which process would more rapidly free up cable/video/telecommunications is an open question. But the freeing up is well under way.

DEREGULATION REPORTAGE

It's always gratifying when the idea of deregulating the economy wins new converts. Recently, deregulation gained an especially large boost from a pillar of the American establishment—*Business Week*.

The widely respected magazine has not been a consistent devotee of free-market principles in the past (for example, it has shown an unseemly enthusiasm for a government "industrial policy"). But deregulation's track record evidently proved to be irresistible.

The cover of *Business Week*'s November 28 issue proclaimed, "American business is undergoing its first redirection in 50 years. The move to deregulate, which started out slowly just a decade ago, is now showing dramatic results. Deregulation is not only revitalizing three basic U.S. industries—finance, telecommunications, and transportation—but it is boosting the nation's economy as well."

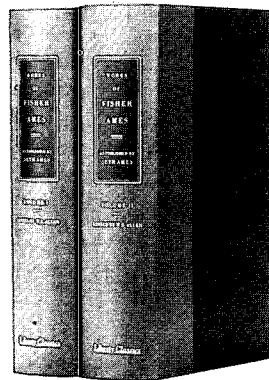
The lead article inside, "Deregulating America," pointed out that those industries account for a "\$250 billion chunk of the American economy." Some of the impressive results of deregulation acknowledged by *Business Week*:

- Long-distance air fares, adjusted for inflation, have declined by nearly 50 percent in seven years.
- Many trucking rates have plummeted by 30 percent in real terms since 1980.
- The 1983 costs of standard telephones fell by one-third in the space of a year.
- With the availability of discount

brokers, the cost for small investors of buying stock is 60 percent below the commissions charged by old-style brokers.

Business Week is aware that deregulation is not universally painless, though. And that's because regulation inevitably fostered systems of forced subsidy that are now either reduced or nonexistent. With telephone service, for example, businesses subsidized residential users, long-distance calls subsidized local ones, and urban users subsidized rural users. As Alfred Kahn, a Cornell University economist and deregulation point-man in

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the Carter administration, sardonically observed, "The Bell System was a welfare state with the power to tax and use the proceeds to do good things."

Some riders on the old gravy train haven't done well. More than 300 trucking companies have gone bankrupt, and a few airlines—most notably Braniff—have bit the dust. In addition, there has been what Marvin Kusters of the American Enterprise Institute calls "disinflation in the labor market," with airline and trucking unions (among others) accepting wage cuts and more-flexible work rules.

But the magazine argued that on the whole, ending this sort of subsidy has been for the better. "Income is being channeled from those who benefited from noncompetitive markets—consumers who purchased subsidized goods and services, workers who enjoyed inflated salaries and wages, and producers who basked in a protective environment—to the general public," it said.

Still, the deregulation process is vulnerable, according to *Business Week*, although for political rather than economic reasons. Many of regulation's beneficiaries have huge political clout, and they have battled ferociously against reform.

At least one such interest group, the Teamsters Union, seems to be influencing Reagan administration policy. The White House is reportedly "reviewing" the Transportation Department's Phase II trucking deregulation bill with an eye to winning Teamster support in the November elections.

The political future of deregulation may be problematic, but its economic consequences are clear. "On these economic grounds," says *Business Week*, "deregulation wins hands down." They're right, and it's a welcome endorsement.

CAR QUOTAS' CURIOUS CONSEQUENCES

During the last three years, Japanese auto manufacturers have "voluntarily" limited their collective exports to the United States to 1.68 million annually. These quotas, urged on the Japanese by the Reagan administration (which, in turn, was heavily pressured by the US auto industry), were to have given American car makers a breather in competing with the Japanese so that US

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manufacturers could adapt to the new small-car market.

But more and more people are coming to recognize the quotas' ironic effect: by restricting the supply of the highly sought-after Japanese imports, quotas have raised the imports' price in the American marketplace. And that in part explains why, for example, a top-of-the-line Honda that goes for \$7,500 in Japan can get \$11,000 in the American market. As David Healy of the investment firm Drexel Burnham Lambert told *Business Week*, "Quotas screw the consumer. It's as simple as that."

Business Week reported that Japanese auto makers have filled their exported cars with options and have priced them "at least as high as comparable U.S.-built models." With their market shares held constant by the quotas, the Japanese makers have no incentive to cut prices. *Business Week* quoted researcher Hitoshi Hisano, of the Industrial Bank of Japan, on the quotas' perverse effects: "If there were no restraints, there would be sharp competition between the Japanese companies, and they would be forced to lower profit margins."

Despite their current high US profits, the Japanese have agreed to only one more year of car quotas (at the higher limit of 1.85 million), for they are eager to expand their share of the US market. Though Detroit is not likely to realize it, such increased competition may be the US auto industry's only real incentive to revitalize itself.

THE VIRTUES OF THE MARKET

Leftists, who are not enamored of capitalism anyway, have long been urging "socially conscious" investing. Being leftists, they have often agitated (sometimes successfully) for laws prohibiting government employees' pension funds from investing in verboten firms and industries. Meanwhile, however, the free market has been doing what it does so well—meeting people's perceived needs, in this case for putting their money where their politics are. Thus there has emerged a growing set of mutual funds, money-market funds, portfolio managers, and investment newsletters aimed at people who want to "do good while doing well."

The Calvert Group, for example, started two "ethical investments" in late 1982—a mutual fund and a money-

market fund. They will invest only in companies that "manufacture safe products in a safe workplace with a process that does not harm the environment, treat workers fairly, and provide equal opportunities for women and minorities," according to a recent Associated Press report. Firms "primarily engaged" in the nuclear energy industry, business activities in South Africa, weapons manufacture, or alcohol or tobacco manufacturing are out.

The idea of social investing is amenable to all kinds of criteria. Indeed, the *Los Angeles Times* reports that one of the earliest examples was a mutual fund formed in 1962 for Christian Scientists called Foursquare. Before it merged last year with a conventional mutual fund, it had a policy of not investing in alcohol, tobacco, or drug companies.

Two of the earliest funds with specifically political aims were the PAX World Fund, formed by pacifist Methodist clergy 14 years ago, and Dreyfus's Third Century Fund, now a \$140-million growth fund. In the last few years, the opportunities for social investing have burgeoned. The New Alternatives Fund

was set up in 1982 for investing in solar and alternative energy sources. The Calvert Group's two funds also appeared in 1982; its advisory board includes Amory Lovins of "soft energy" fame, Robert Rodale of the back-to-nature Rodale Press, and civil-rights leader Julian Bond. In September 1983, the Working Assets Fund started offering money-market investments in businesses deemed to be creating jobs for American workers. And there are now at least three newsletters and, according to the *Los Angeles Times*, "dozens of security brokers—and even banks" getting into social investing.

Lipper Analytical Services, a research firm that tracks mutual funds' performance, rated three social investment funds in the lower one-third of mutual-fund performers in 1982. But John Reid, a partner in a New York investment firm that handles "ethical investments" for religious groups, notes that many church accounts have, over the years, performed as well as other portfolios. "A good investment adviser can work in a limited field without sacrificing performance," he told the *Times*. And Jack Corbett of

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PAX World boasted, "We have done better than the New York Stock Exchange."

So far, virtually all social investing has had a liberal orientation. There may well be lucrative untapped markets for social investment by conservatives, libertarians, theocrats, and vegetarians. In any event, social investing already confirms that the free market not only provides opportunities for profit but accommodates the social philosophies of a wide variety of people—even those who are skeptical of free markets.

JUMPING OFF THE MASS-TRANSIT ROUTE

Like many cities throughout the United States, Wichita, Kansas, has a mass-transit problem: ridership on the city's bus system is continuously declining while operating costs are rising, creating ever-higher deficits. But rather than seek a boondoggle panacea—such as constructing an expensive rail system to try to lure more people to use mass transit—Wichita's commissioners instead are

looking into ways to reduce the city's role as a mass-transit provider.

More specifically, the commissioners have directed city staff to study several recommendations included in a recent report on Wichita's transit situation—a report that was privately funded (by the Claude R. Lambert Foundation) and that was jointly conducted by the Sabre Foundation and the Corporation for Urban Mobility, both based in Washington, D.C.

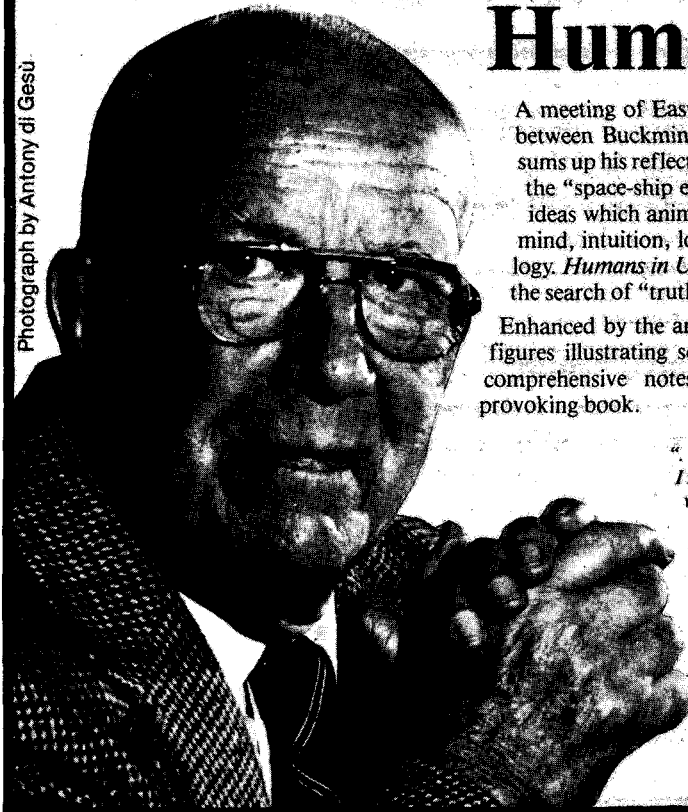
The report's authors point out that urban mass-transit systems are increasingly inappropriate and ineffective in the present era, in which more and more people live and work in the suburbs. Though in their report the authors discuss policy options as far-reaching as the total privatization of public transit, Wichita's commissioners chose to further consider some of the less-radical proposals, including: replacing some city buses with private dial-a-ride services; encouraging carpools, vanpools, and neighborhood bus clubs; and deregulating taxis, allowing them to set their own fares and to establish fixed routes for shared-ride service (jitneys).

The Wichita commissioners' choice of action is in a direction radically opposite that of most city officials, particularly those in larger cities. Aided and abetted by federal pork-barrel largesse, Baltimore, Buffalo, Dallas, Los Angeles, Miami, Portland, and Sacramento are likely to have new rail mass-transit systems soon, and talk of such systems is running high in Denver, Minneapolis, Orlando, and St. Louis. Houston voters nixed a rail system for that city last June, but theirs was a singular choice (see Trends, Sept.). But as writer Michael Berryhill pointed out in the December issue of *Harper's*, "The only prediction that has consistently come true for rail systems is that they will cost more to build and operate and will carry fewer passengers than their planners intended."

And economist Peter Gordon, of the University of California, in discussing Los Angeles County's forthcoming \$3.5-billion subway (as estimated by its promoters), portrayed even more dramatically the absurdity of mass-transit projects in a recent Cato Institute Policy Report: "If just a few people could be in-

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duced not to drive alone, so as to raise [L.A. County's] average vehicle occupancy rate just to the national average, more than a million trips could be taken off the county's roads each day! Mass public transit cannot offer anywhere near that result."

If Wichita's commissioners proceed in earnest to implement some of the transit recommendations now under consideration, they just may be pleasantly surprised by the results. And city officials everywhere might have a new model to follow, one that steers clear of the build-a-shiny-new-system rail bogey.

COMPETING WITH BUREAUCRATS

The world's largest publisher—the US government—has found a way to cut costs: the Office of Management and Budget (OMB) is closing 120 federal printing and duplicating plants this year and turning the work over to private contractors, for a projected annual savings of \$30 million. And the National Oceanic and Atmospheric Administration is posting a more modest yearly savings of \$1.8 million by hiring a private firm to store and distribute NOAA nautical and aeronautical charts.

Ever since the Eisenhower administration, federal agencies have been directed to use private contractors to supply goods and services. This directive is codified in Circular A-76, which instructs agencies to base procurement decisions on comparisons of in-house versus contracted-out costs. Even so, according to *Nation's Business*, there remain 11,000 government functions, now performed by a half million federal employees, that could be contracted out to private business at great savings to taxpayers.

A major obstacle to more federal contracting out is government bureaucrats' unwillingness to reduce their own ranks by hiring private-sector parties to do congressionally mandated work. Federal bureaucrats often get around the contracting-out directive, for example, by underestimating the cost of an agency's in-house performance of a certain job. (Federal employees' benefits packages, for instance, are "grossly underestimated" by OMB cost-comparison formulas, according to George Daoust, executive director of the National Council of Technical Services Industries.) Such fudging of cost calculations, however, has come under legal challenge.

The Joint Maritime Congress (JMC), a trade organization of more than 100 US flag carriers, is suing the US Navy for allegedly having rigged bids for a labor contract on three Navy tankers. The Navy had initially refused to consider contracting out the jobs, eventually agreed to accept bids from private firms, and then claimed to be the low bidder.

The JMC claims that had the Navy calculated its costs accurately, it would have exceeded the industry's lowest bidder by at least \$5 million. If the JMC suit makes it to trial, it will have set a major precedent for the private sector's right to contest a federal agency's cost calculations—and that could be a big step toward reduced government.

NEW THEORY OF COMPETITION WINS THE CONTEST

Much of antitrust law and much government economic regulation is based on the idea that if there are only a few firms (or one firm) in a given market, consumers will be harmed by monopolistic pricing. The ideal is said to be "perfect competition," with large numbers of sellers, each having only a small share of the market.

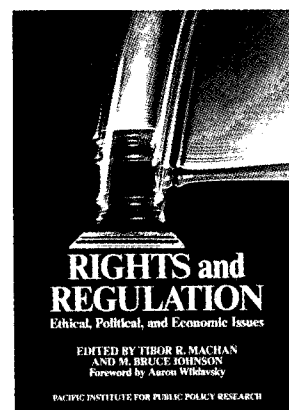
Over the past decade or so, a number of economists have challenged this view, with studies showing that quite a few fields seem to get along just fine with a small number of suppliers—without consumers being exploited. The new model is one of *contestability*. If outside firms can readily enter a market, there will still be competitive pressures on the firms already in it to keep their prices competitive. And a "perfectly contestable" industry is one in which the capital equipment is mobile and reusable elsewhere if some of the firms decide to drop out.

Prof. David Starkie of the University of Adelaide (Australia) is an advocate of the contestability idea. And he has reported an interesting confirmation of this approach in Australia's airline industry. In 1979 Australia's federal government substantially relaxed its airline regulation, which had an effect in the states of South Australia and Victoria (the other states continued state-level regulation of airline service). In South Australia, for example, the number of airlines increased from 7 to 12 and the number of flights per week from 434 to 522. Many of the new routes are served by a single airline. Yet Prof. Starkie's

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statistical analysis found no significant difference in the fare structure between single-airline and multi-airline routes. Thus, open entry under deregulation seems to have produced a form of efficient competition consistent with the theory of contestability.

Starkie has also documented the successful deregulation of surface transportation in Western Australia. Opening up the trucking and railroad markets to substantially free competition (in 1982) has led to an estimated first-year savings to shippers of A\$11 million. And government-owned Westrail (the principal railroad) expects cost savings of A\$7 million a year from not having to provide service where truckers can do it more economically. Thus, many of the same lessons that Americans have learned about transportation deregulation are being learned also in Australia.

KEEPING ON COURSE—PUBLIC OR PRIVATE?

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NOTES FROM THE UNDERGROUND

BRAZIL—Even though this nation of 120 million is burdened with high unemployment rates, serious injustices, and official corruption all across the board, things are relatively peaceful here. That is partly because a good number of people who are officially listed as unemployed are not really without an occupation. They are busily working in the *economia invisível*, the underground economy.

A recent cover article in *Veja*, Brazil's top weekly news magazine, reported that "the 'invisible economy' employs 12 million Brazilians, putting into motion billions of dollars a year. And it does not shell out one cent in taxes."

In fact, producing accurate statistics on the underground economy is impossible, but João Geraldo Piquet Carneiro, of the President's Task Force for the Elimination of Bureaucracy, puts the figure at 40 percent of the labor force. It seems exaggerated, but no official estimate is lower than 20 percent. Said *Veja*, "More and more Brazilians, hounded by unemployment and the high cost of living and tired of bureaucratic roadblocks to market entry, are seeking out activities that are officially illegal but help family income to increase, capital to accumulate, and people to survive."

In the state of Rio de Janeiro, the official estimate is that a half-million people work in the underground economy, accounting for 6 percent of the state's gross internal product. In the city of Rio alone, more than 70,000 persons have set up display tables, kiosks, tents, etc., on sidewalks and in streets blocked off to traffic. Their wares range from candy to jeans to leather goods, sometimes for as much as 40 percent below market prices.

How can they do it? They do not pay the heavy taxes paid by registered business owners, including a tax on industrialized goods (18 percent); a tax on handling of merchandise (16 percent); social security tax (5 percent); unemployment fund tax (1.2 percent); social goals tax (1 percent);

and a host of other taxes, "ending" with the income tax on company profits. (Brazil has one of the heaviest tax burdens of any Third World country.)

This underbidding by the "black" (that is, free) market has become a threat to established stores, leading the Chamber of Commerce to demand a city hall crackdown on "clandestine" merchants. (So much for "class consciousness" among capitalists.) When city hall did little about it, many store owners retaliated by setting up their own clandestine operations. The inspectors and tax collectors either accept bribes or look the other way, concentrating their efforts on the main sectors of the economy, from which the local government draws 70 percent of its revenue.

According to *Veja*, one especially prosperous area of the invisible economy that has for years successfully dodged attempts to bring it under official scrutiny is the foreign-currency (mostly dollar) black market. In the São Paulo-Rio axis, it trades \$10 million a day. Another is the marginal gold market. Total volume traded in Rio-São Paulo in 1982 was an estimated 3 tons, and business is increasing. Also, practically all professional fields are partly "invisible," from accounting to automobile maintenance to the clothing-manufacturing businesses run by an estimated 35,000 (some say 100,000) Korean "illegal" aliens in São Paulo's Chinatown.

But the prize goes to two cities where the *whole* economy is "underground." They are Santa Cruz do Capibaribe (population 25,000), in the poor northeastern state of Pernambuco, and Ibitinga (population 30,000), in the powerful southeastern industrial state of São Paulo.

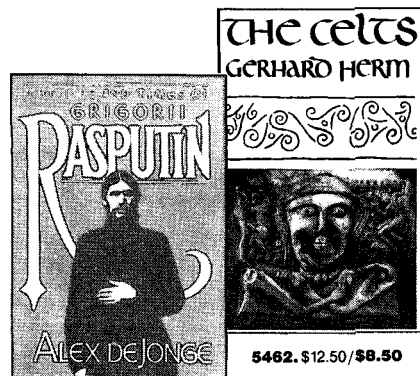
In 1960, Santa Cruz do Capibaribe, like many northeastern towns, was a doomed place. Today, many of its citizens own automobiles, one new house goes up every day, and unemployment is unknown among its craftsmen and garment workers. The reason: for many years there has been no tax, the city's only "tax" being a \$2.00 license fee. There are 6,500

(Continued on p. 22)

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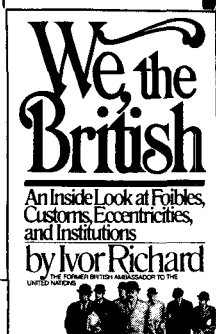
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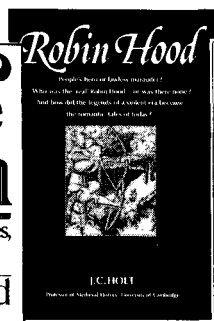
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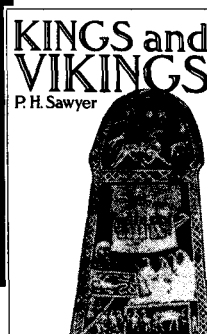
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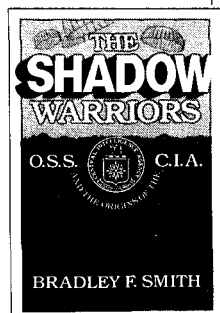
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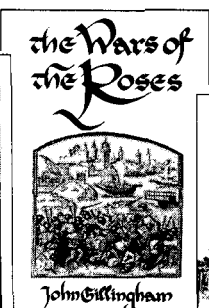
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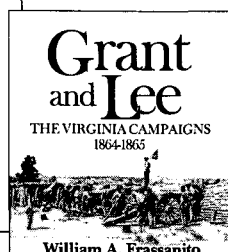
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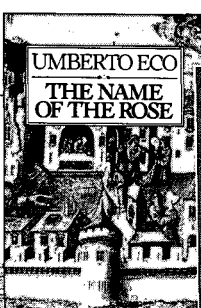
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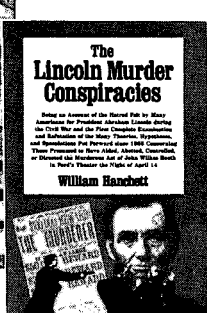
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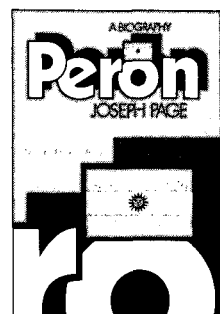
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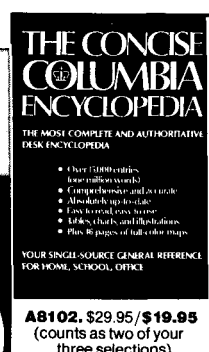
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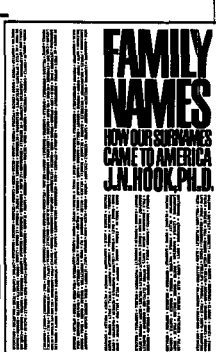
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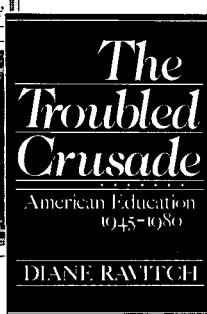
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TRENDS

guidance system. And that is spurring increased interest in satellite-based navigation and air traffic control systems.

The Air Force is developing one such system, called the Navstar Global Positioning System. By 1988 its 18 satellites will provide worldwide coverage for military planes and missiles, allowing them to determine their position (by triangulation) to within less than 15

meters. A 1982 congressional funding measure ordered the Air Force to share the \$3-billion-plus system with civilian users, at a less-precise level of accuracy, on a user-fee basis. In response, the Air Force announced that on-board transceivers with 100-meter accuracy would be available (for \$10,000 to \$20,000), with an annual user fee of \$370. After protests from oil exploration and ocean-

mining companies about the crudeness of the accuracy, the Air Force agreed to make available special, 15-meter transceivers for a \$3,700 annual fee, provided those users can provide high security for the equipment (presumably so the Soviets don't steal it).

But the shooting down of KAL 007 has Congress reversing itself on user fees. In November the House unanimously passed

GLOBAL TRENDS

(Continued from p. 20)

small family-owned businesses in Santa Cruz do Capibaribe. "I'd rather see the city coffers empty than see a craftsman in financial trouble," says Mayor Augustinho Rufino de Melo. While stores in neighboring towns have been sacked by hordes of hungry people fleeing from the interior to the cities because of the drought, Santa Cruz is calm, and more people and businesses are moving in.

In Ibitinga, economic life centers around the embroidery business. Thousands of housewives, as well as over 1,000 men, are engaged in embroidery. Ibitinga proudly calls itself the "embroidery capital of the world," but the embroidery free market has attracted other businesses into the city, from supermarkets to dentists to real-estate companies. Orville Russo, the mayor, vows that he has no interest in sending inspectors and tax collectors around. "We don't want to attract the state tax people," he says.

—JOSE ITALO STELLE

KEY TO TURKEY'S FUTURE?

TURKEY—Among the reforms proposed by Turkey's new prime minister, Turgut Ozal, is the sale of the Bosphorus Bridge, which links Istanbul's two coasts. Ozal, whose Motherland Party took a 45 percent majority of parliamentary seats in Turkey's elections last November, has pledged to sell certain state enterprises to private investors, reduce government bureaucracy, encourage exports and foreign investment, and generally move the country toward a free-market economy.

Ozal, who served as deputy prime

minister for two years with the military government of Gen. Kenan Evren—who came into power in 1980 and is slated to remain as president until 1989—is credited with having implemented the policies that reduced the nation's inflation rate from 120 percent to less than 30 percent. During that time, too, exports doubled and shortages were eliminated. After Ozal resigned as deputy prime minister in 1982, inflation heated back up (to about 35 percent today).

The 56-year-old economist has also proposed creditable reforms in the area of civil rights, such as freeing political prisoners who have not been convicted of terrorist acts. Turkey's military still has a strong hold on the country, but if Ozal's reforms can bring renewed prosperity, that grip may loosen considerably.

THE SUN RISES IN CANADA'S WEST

B.C., CANADA—There appear to be signs of light at the end of an economic tunnel for Canada's westernmost province. British Columbia has suffered through a severe economic slump over the last few years, but now *Business Week* reports that conservative premier William Bennett is promoting an impressive array of radical free-market reforms to help cure the province's economic ills.

B.C.'s woes were partly the result of the more general recession but also stemmed from an enormously bloated provincial government coupled with strikes in the forest-products and mining industries that sometimes nearly shut down the province's economy. Such conditions may have won for union members the highest pay in Canada, according to *Business Week*, but they also devastated the economy.

Now, Bennett announced plans to

lay off 1,000 province employees. And he was successful in getting bills through the legislature that give him authority to eliminate up to 11,000 government jobs (about a quarter of the provincial payroll), freeze government workers' salaries, end rent controls, shut down British Columbia's human-rights commission, and privatize government-owned enterprises including ski slopes(!) and a bus line.

Business Week notes that one of the key architects of Bennett's program is Michael Walker, director of the free-market Fraser Institute in Vancouver. (Walker was written up in a *REASON* Spotlight in January 1982.) "There is no doubt that the long-term ambition of the government is to make British Columbia the Sunbelt of Canada," Walker told the magazine.

To his credit, Bennett has been honest with his constituents about his program for revitalization, even while campaigning for office. While he was running for a fourth term last spring, he said, "We're going to have restraint. You'll get less."

He won reelection, but unions in the province, along with the socialist New Democratic Party, have fought Bennett tooth and nail. The members of the British Columbia Government Employees Union walked off their jobs in November. And in the legislature, debate became so bitter last year that in one session, David Barrett, leader of the New Democratic Party delegation, was forcibly ejected and forbidden to return until the legislature reconvenes this spring.

Bennett himself says that "British Columbia is seen as a battleground for public-sector unions across the country." If he succeeds, there is speculation that conservative governments in Alberta, Saskatchewan, Nova Scotia, and Ontario might follow suit. With budget deficits that will total \$8.6 billion this year for all the provinces, they would have ample provocation.

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TRENDS

a resolution to open up Navstar to civilian users at no charge. Sen. Charles Percy (R.-Ill.) is pushing the Senate version of the measure. Members of both houses are lambasting the Federal Aviation Administration for not even mentioning satellite-based navigation in its multi-billion-dollar master plan for future air traffic control.

But in the private sector, physicist Gerard K. O'Neill's Geostar Corporation is proceeding at full speed with its fully private, user-financed satellite navigation system designed not only for air traffic control but for guiding rail cars and trucks (see Trends, July). In November Geostar conducted a simulation demonstration of its system in South Lake Tahoe, California, using four mountain-top transponders to simulate satellites. A Geostar spokesman told REASON that in the tests an aircraft, a truck, and a pedestrian were each guided successfully by the system.

Geostar is still aiming to have the system operational, pending approval of communications frequencies by the

Federal Communications Commission, by 1988. The contrasts with Navstar are impressive. Although Geostar will serve only US territory, its on-board transceivers will cost only \$400 (compared to Navstar's \$10,000-\$20,000), its user fee is projected to be \$1 per use, and its accuracy is estimated at 7 meters.

If O'Neill and Co. can pull it off, they will make both the Air Force and the FAA look like pikers—and show up Congress for thinking that a subsidy is required to spur development of improved air traffic control.

SITUATION WANTED: FIGHTER PILOT INSTRUCTOR

The mercenary business, one with a long tradition, has recently gained a new twist. *Aviation Week* reported in November that a group of former Navy and Air Force instructor pilots has formed Air Superiority Associates, a private

firm designed to train foreign military pilots in the tactical use of US-built combat aircraft.

According to the magazine, ASA has discussed its services with air-force commanders in Belgium, Malaysia, Norway, Saudi Arabia, Switzerland, and Taiwan. Though ASA has not yet been awarded any contracts, it has requested a State Department export license for Norway. Traditionally, US Navy or Air Force personnel train the pilots of nations that purchase US military equipment (in cases where such training is part of the sale).

All of ASA's former Navy instructors have had combat experience in Vietnam, and the firm's former Air Force instructors were trained by Vietnam combat veterans. ASA's program, *Aviation Week* noted, "is not necessarily aimed at new operators [of combat aircraft] as it is at existing operators who need to update their training."

The magazine reported that ASA has received a "mixed response" from US military officials, who fear that such training programs may divulge classified information. But several US and foreign airframe manufacturers "have expressed interest in ASA services for their export customers."

What next—private drill instructors? There's no telling.

MILESTONES

- *Big Brother sent packing.* In November the White House backed down from its proposal to allow government agencies other than the Census Bureau access to information collected by that bureau. Federal law dictates that census data be kept confidential.

- *Free press not coded.* A long-standing effort for a UNESCO-sponsored "code of conduct" for the media apparently evaporated. At UNESCO's general conference in November, "free-press" delegations reportedly scored 19 victories and a coalition of the Soviet and Third World blocs chalked up only five.

- *Listless IRS.* Three companies that compile computerized lists of the estimated incomes of most households—Donnelly Marketing, R. L. Polk Company, and Metromail—have refused to rent their lists to the IRS. The ever-popular agency wanted the data to track down tax evaders.

—ROBERT W. POOLE, JR.,
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