United Kingdom and several other European countries, and points out that the two success stories of the post war period — Japan and West Germany — were guided by a commitment to high rates of investment in research and development and new plant and equipment, and a rejection of the incomes policy route. And the report hints at the obvious solution to the current crisis of the U.S. economy and dollar:

> In the final analysis, high levels of investment in new plant and equipment and the development and application of new technology raise labor productivity and are the only ways to achieve a *permanent* moderation of inflation.

Such a solution is at hand, in the U.S.'s joining the development strategy of the EMS, and bankruptcy of the International Monetary Fund and other London dominated institutions which have strangled global economic growth.

— Lydia Dittler

Deregulation Axe Sharpened For Airlines, Trucking

CORPORATE AFFAIRS

A September offensive has begun against American industry and labor through such federal regulatory agencies as the Civil Aeronautics Board, Securities Exchange Commission, and Environmental Protection Agency, the Justice Department Antitrust Division. Flanking maneuvers in the Congress are led by Sen. Edward Kennedy and his allies. Under the guise of "deregulation" of the aviation and trucking industries, the intent is to establish top-down control over the U.S. economy through the regulatory agencies.

The schedule of events — a Sept. 14 House vote on an airline deregulation bill, accelerated Kennedy Antitrust Subcommittee hearings on the trucking industry, a Sept. 18 Washington, D.C. dinner attended by all the agencies, Kennedy, and the Brookings Institution — is set to coincide with a reported announcement by Carter Sept. 18 on inflation. Under conditions of congressional resistance to his most cherished legislative programs, a panicky Carter is profiled to avoid a disastrous head-on collision and fall in line with the "administrative law" approach of the agencies instead.

The Sept. 18 dinner is scheduled to consolidate anti-industry and anti-labor forces, preparatory to escalating the September offensive from airline deregulation to deregulation of the more resistant trucking industry. This escalation will intersect the approaching trucking industry-Teamster negotiations for a new Master Freight Contract to replace the contract expiring next March. The $250 per plate gala is being sponsored by the "National Independent Truckers Unity Council," a group spun out like the anti-Teamster PROD and TDU "labor" countergangs sponsored by Ralph Nader and Kennedy circles. Speakers at the affair will be Kennedy and John Schenefield, head of the Justice Department's Antitrust Division. A representative of the American Trucking Associations will be on hand to attempt a rebuttal of Schenefield. Also prominent will be representatives of the Civil Aeronautics Board, Environmental Protection Agency and Sierra Club, the Occupational Safety and Health Administration, and Common Cause.

The ostensible political objective which draws together such seemingly strange bedfellows as "liberals" Kennedy, Common Cause, and the Brookings Institution, with "conservatives" of the American Enterprise Institute and American Conservative Union — the latter staunch proponents of "deregulation" — is the "free enterprise" argument that unfettered competition will result in reduced costs to consumers (travellers and shippers) and greater efficiencies.

Airlines: Deregulation by Decree

In aviation, the Civil Aeronautics Board's Chairman Kahn has "deregulated" this past year by decree, without waiting for congressional authorization. For example, he has just granted airlines permission to lower fares by up to 70 percent and raise them by up to 10 percent without CAB approval — in probable violation of the Civil Aeronautics Act that established the CAB. Similarly, in the unfriendly takeover bid for National Airlines by Texas International, Kahn has permitted TXI to acquire up to 25 percent of National's stock, although the act forbids acquisition of more than 10 percent prior to official CAB approval of a projected merger or acquisition.

That attempted merger — subsequently thrown off course by a higher offer from Pan Am — is symptomatic of the conditions Kahn's actual deregulations, and the long-protracted uncertainties of legislation, have created. The proposed Pan Am-National merger, now under negotiation between the two firms, is especially illustrative of the issues involved. Pan Am is an exclusively international carrier, with no domestic routes connecting its terminals. National is a domestic trunk line with little international traffic.

The two merged would create an airline that could efficiently carry international passengers into the United States and on to domestic destinations, or from one section of the U.S. on to international destinations served by more distant U.S. takeoff points, without having to transfer airlines or planes. Similarly for cargo.

Indeed this is how the aviation industry, and trucking as well, were established in this country, through the legislated mandates establishing the CAB and Interstate Commerce Commission (and comparable powers over aviation of the Post Office Department in the late 1920s). These agencies succeeded in directing the creation of an *integrated* national transport system, adequately capitalized, and provided incentives for capital investment and increased efficiencies of both technology and scale. Now the unmonitored "deregulation" of the critical areas of rate-setting and market entry (acquisitions of authorized routes) threatens to throw both industries into chaos, and to encourage bankruptcies of critical middle-sized firms which are unable to compete with the giants and too heavily invested in equipment to operate on the cost-cutting methods available for short periods of time to small outfits.

For Kahn and Kennedy, however, competition alone is the *sine qua non* of economic "health." Notwithstanding his 25 percent stock ruling (and the obvious benefits of a Pan Am-National merger to industry and customers alike), Kahn has gone on record as generally opposing all mergers at this time — preferring to wait until the respective airlines are verging on bankruptcy.

Unlike the relatively more unified trucking industry, which with the invaluable support of large sections of the International Brotherhood of Teamsters has testified vigorously on the grounds identified above, the airlines have been divided on the issue. Some have seen competitive gain if Kennedy's legislation goes through, while those who have opposed "deregulation," such as American Airlines, have after a year or more of manipulated confusion and uncertainty, cried uncle. American announced two months ago that while it had not changed its basic position of opposition, it could no longer do any effective planning without something — anything — definitive.

The Problem of Capital

The planning problem that the recent merger initiatives (including, along with Pan Am-National, Continental with Western and North Central with Southern) identify is the burden of raising capital for new fleet purchases. Most airlines will have to reequip over the next five years, a very expensive proposition. Even with unexpectedly high air traffic over the past year, financing those purchases is still an open and unsettling question, far more of a financial commitment than, say, retooling auto lines for a new year's model. The obvious alternative source of assured profits is holding down wages. As yet this option has not been mentioned in public — aside from the recent appearance of Barry Bosworth of the Council on Wage and Price Stability before a trucker gathering. But as the fight moves from air to trucking, the role of the Teamsters casts it into sharp relief.

Indeed a representative of the American Conservative Union confided that one of the prime deregulation organizers, Sears Roebuck, has pushed the airline issue primarily as a stepping stone to the more critical trucking area, with the explicit intention of slicing into the business of the regulated common carriers and wiping out the IBT.

Rumors are also afoot that the ICC may refuse to "pass along" Teamster wage gains as authorized increased freight rates, thus forcing industry negotiations to take an intransigent line in the approaching contract talks.

While the airlines and truckers have attempted to fight on an industry-by-industry basis, their enemies have operated as a unified command, which is now becoming increasingly public. Last week, Schenefield's Antitrust Division got into the act, with an announcement that merger "panic" has gripped the airline industry, and requested that the Justice Department be allowed to intervene in the CAB's three pending merger decisions. Thus, driven to a position of rate-cutting competition with no offsetting efficiencies and a growing disruption of stable operations, the airlines have taken the only course left open — merger — and are now finding that option blocked as well.

—Richard Welch