take farm produce to market, haul hay, pull a plough, and, through a belt system attached to the motor, grind grain or run a sawmill. A major change occurred in the 1950s, when Robert S. McNamara and his "Whiz Kids" were brought in to apply a financial management approach. Today, Ford is governed by the Wall Street standard of "shareholder value."

EIR has calculated that although only one of every 10 Ford vehicles sold is an Explorer SUV, *profits from sales of the Explorer account for one-third or more of Ford's Automotive division profits* (on an after-tax basis). 40-50% of the Explorer's price represents mark-up profit. In 1999, the Explorer sold at between $19,000 and $25,000 per vehicle (depending on the options). On a Ford Explorer SUV, the profit per vehicle is $8-12,000. In 1999, Ford sold 428,000 Explorers, making it the largest-selling SUV in the world. Using available information, *EIR* calculated that on these combined 428,000 Explorer sales, Ford raked in a pre-tax profit of $3.4-5.1 billion, which translates into an after-tax profit of roughly $2-3 billion. For 1999, Ford's after-tax profit was $7.237 billion, of which $5.721 billion was attributed to the Automotive division. Explorers accounted for 35-44% of Ford's total Automotive division after-tax profits.

Told of *EIR*'s calculations, George Pipas, Ford's manager of sales analysis, said, "I will neither confirm nor deny what you say, but I will say that Ford's exposure to the Explorer [profits] is quite large." Ford is so committed to attempting to keep the name of the Explorer, its main source of profit, unsullied, that on its website, it refers to the Explorer turnover deaths, as the "Hard Facts on the Firestone Tire Recall."

Firestone Tires Separate

The final ingredient in this process is the role played by Bridgestone/Firestone tires. Firestone Rubber Co. has also adopted the policy of "shareholder value." Firestone knew that it had a faulty tire design. The House Commerce Committee's Consumer Protection Subcommittee has received documents showing that in 1996, Firestone conducted 10-minute-long tests, at which tires were run on a test machine at 112 miles per hour. Of the 229 tires tested, 31 failed—a failure rate of 13.5%. Of the failures, 20 were tread separations, in which the tread on the outside of the tire, separates.

The Firestone tire had its own design flaw. The combination of these two forces increased the frequency of Firestone P235 tire tread separation and potential blowout. At high speed, as the tire tread would separate, this would cause a number of problems, including drag from the damaged tire. The Explorer would swerve. This would push the Explorer in the direction of its greatest design weakness: its tendency to roll over.

In Venezuela, a government official has called the interaction of the Ford Explorer and the Firestone tires a "lethal combination." The 101 deaths in the United States and reportedly 46 in Venezuela, resulted not from mistakes, as such, but from design flaws, flowing from a faulty policy, which was then covered up.

Unregulated Drug Industry Fuels Rise in Health Costs

by Linda Everett

Though the farce of official reports of the "3.5% U.S. inflation rate" continues, one must now add health insurance premium costs to the list of consumer prices rising 15% or more per year. They are being driven by costs of prescription drugs, which are rising even more rapidly than that. Both Al Gore and George W. Bush accept these huge speculative increases as legitimate, differing only on how to use supposed "Federal budget surpluses" to help pay these skyrocketting drug prices.

While pharmacies are everywhere in the United States, and new ones are still opening up at a great rate, affordable prescription drugs are only to be had by driving to Canada or Mexico. The pharmaceutical industry's current profit rates can be described only as "superprofitability," reminiscent of the health maintenance organizations (HMOs) five years ago, and provide a huge income flow for stock market and related speculation.

Here are the hyperinflationary hammer-blows falling:

- Health insurance premiums for Federal employees and retirees will rise an average of 10.5% next year, 14% for fee-for-service and 6.9% for HMOs, the Clinton Administration announced on Sept. 15.
- Health premiums for Federal employees and retirees have jumped a staggering 36% since 1998. The rise will affect about 9 million government workers, retirees, and family members worldwide.
- Nationally, private employers' premiums will jump 11-12% in 22 states—after a 9-10% increase in 1999.
- A recently released Washington Business Group on Health/Watson Wyatt Worldwide Survey of 61 large employers, predicted that medical costs in 2001 would increase by an average 12.2% for employees, and 13.3% for Medicare retirees.
- The picture is worse for HMOs. HMOs in Maryland seek 10-15% increases for next year, while Ohio HMOs plan to raise rates by 10-40%—after raising rates 10-20% this year. Northern California's largest HMOs are preparing to unveil hikes of up to 14% for 2001, on top of near 10% increases this year.

Drug Costs Tripled in a Decade

Uniformly, analysts attribute these astronomical premium rate increases to the rising costs of prescription drugs, which, according to a Kaiser Family Foundation study, "Prescription Drug Trends," July 2000, have been the fastest growing component of health-care spending for the last decade, increasing 15% from 1997 to 1998, compared to 5% for all personal health care spending. In the past five years, the increases in prescription expenditures have been two to four times the percent changes in expenditures for most other health-care services. In 2000, national drug spending increased an estimated 11%, compared to 7% for physician services and 6% for hospital care.

Since 1990, national spending for prescription drugs has tripled, rising to an estimated $112 billion today.

Financially, the pharmaceutical manufacturers have been the top-ranking U.S. industry for profits as a percent of revenues throughout the past decade. In 1999, they had a profit margin of 18.9%, compared to a median of 5% for all Fortune 500 firms. The industry's revenues were estimated at $91.8 billion in 1999, up from $38.5 billlion in 1990.

Yet, senior infectious disease specialists note that the same pharmaceutical companies are failing to develop new antibiotics to meet the threat of multidrug-resistant bacteria; they have not produced sufficient flu vaccine for this year's flu season; and with Al Gore's help, they have denied generic AIDS treatment drugs to Africa.

The United States invents most of the world's great prescription drugs, yet, tens of thousands of Americans, often in organized caravans of buses, travel to Canada and Mexico to purchase their medication, at a fraction of the cost they are charged for the exact same medications in their home states. The reason is simple: The United States is the only country in the world where the price of pharmaceutical drugs is not government-regulated. And, the powerful drug industry, seeing the United States as its last untapped gold mine, is spending hundreds of millions for advertising, and for lobbying government officials to keep it that way.

Consider, for instance, the battle the drug industry has launched to defeat several bipartisan proposals to allow retailers and pharmacies to re-import prescription drugs from abroad. Although the drugs are manufactured in the United States, re-importing them (instead of purchasing them outright in the United States) allows them to be purchased at a fraction of their original U.S. prices. Lawmakers see the measure as the most immmediate way to contain or even lower rising drug prices (see Congressional Closeup in this issue).

The Pharmaceutical Research and Manufacturers Association, the lobbying organization for the drug companies, is in a pitched battle to derail the plan, running commercials in 28 television markets and a major print media campaign with full-page ads in 60 newspapers across the county.

The drug industry is also going to wild lengths to circumvent a new state law in Maine, the first in the nation which threatens the pharmaceutical industry with price controls on prescription drugs if companies refuse to negotiate lower drug prices for residents in the state. At least one major drug manufacturer, SmithKline Beecham, has made a "business decision" to now ship its drugs only to wholesalers based in other states—in order to skirt the possibilities of price regulations.

Toll of Death to Elderly

Providing some form of prescription drug coverage for the elderly through the Federal Medicare program is now a major issue in the election campaigns (Medicare, the Federal health insurance program for older and disabled Americans, does not cover prescription drugs other than those used in hospital stays). The elderly constitute only 13% of the population, but account for 34% of all prescriptions dispensed and 42¢ of every dollar spent on prescription drugs.

According to the advocacy group Families USA ("Cost Overdose: Growth in Drug Spending for the Elderly 1992-2010," July 31, 2000), spending for prescription drugs for the elderly grew from $18.5 billion in 1992 to $42.9 billion in 2000, an increase of 132%. During the same period, senior health care spending grew by 71%. The average costs per prescription for the elderly increased from $28.50 in 1992 to $42.30 in 2000—an increase of 48%.

The crisis is made worse by the understated cost of living adjustments (COLA) to Social Security benefits, upon which the retired elderly depend. While senior citizens are now rationing their medications and food intake, the Federal government is looting them out of billions of dollars by basing the COLA on patently fraudulent, low inflation rates (see Richard Freeman, "Lies About Inflation Are Being Used To Loot the Population," *EIR,* Sept. 29, 2000).

Unless some form of Medicare coverage for medications is instituted, Medicare beneficiaries must purchase extra or supplemental (Medigap) insurance to cover the costs of their medications. Such insurance is now so expensive that only 8% of 40 million Medicare beneficiaries are able to purchase Medigap insurance that includes prescription drugs. The average income of most elderly Americans is about $13,800 (below the Federal poverty level of $16,700 in 2000 for a single person). At any point, 35% of 40 million Medicare beneficiaries are without any insurance for prescription drugs. Nearly half of Medicare beneficiaries are without coverage for some or all of the year. Studies show that those without drug coverage frequently go without needed medicines, and purchase 11 fewer medications a year than those with drug insurance.

The obvious answer is to make prescription drug coverage a basic part of the Medicare program, allowing the Federal government to use its purchasing power to bargain decent prices for prescription drugs for this population. But "free market" forces, greased with hundreds of millions that the drug companies are pouring into Republican electoral campaigns, are working to block such a critically needed policy. In fact, the "Medicare modernization" proposal by Bush, would give the drug and insurance "market" free rein to dictate whatever drug insurance premiums rates and drug costs it wishes. Should that occur, or the policies behind the explosion in pharmaceutical prices be allowed to continue, the general welfare of the citizenry will go completely out the window.