

Business Briefs

Environmentalism

New process will eliminate dioxin

Union Camp Corp. has announced that it has developed a process for bleaching wood pulp that virtually eliminates dioxin, deemed a carcinogen by the Environmental Protection Agency, at an unmeasurable level of 0.013 parts per quadrillion, according to the Aug. 26 *Richmond Times-Dispatch*.

The Union Camp process will be used in the company's Isle of Wight, Virginia, paper mill, installed at a cost of \$158 million. If successful, other paper producers such as Westvaco Corp. and Chesapeake Corp. are expected to buy the technology.

Virginia's discharge level of 1.2 parts per quadrillion is being challenged in court by the Environmental Defense Fund as too liberal.

AIDS

South Africa faces 45% infection rate by 2000

Theo Hartwig, chief actuary for South Africa's Old Mutual insurance company, warned that AIDS infection rates could hit 45% by the year 2000, the Aug. 23 *Jerusalem Post* reported in an article entitled "AIDS seen infecting S. African economy."

"We are talking about over 45%, up to half the adult population, being AIDS carriers by the turn of the century," Hartwig said.

The *Jerusalem Post* reported that two South African banks, Nedcor and Volkskas Group, have also warned, in two separate reports, that AIDS poses a looming catastrophe for South Africa in the first decade of the next century. They warn that AIDS will shred the fabric of South Africa's economy.

Shortly before the reports were released, the South African National Union of Mineworkers had released a report warning that "millions of South Africans live in poverty, without permanent homes, in single sex hostels . . . without access to the most basic services." Such circumstances, said the NUM, present

a "ready-made 'path of resistance' which the AIDS virus can follow."

The Nedcor report stated: "Without due recognition of the impact of AIDS, planning decisions could be seriously amiss. There will be radical changes to cost structures, mechanization trends, consumer demand patterns and markets." By the year 2000, Nedcor thinks, the health care bill could reach a theoretical \$35 billion level, more than the total 1990 budget of \$28 billion.

"As the numbers of sick and dying soar, the entire nature of the labor market will change drastically. . . . It will be difficult, if not impossible, to attract skilled immigrants to a country that is seriously threatened by AIDS," the report read. According to Nedcor, the impact of AIDS in southern Africa could collapse the regional export market.

Biological Holocaust

Cholera, diphtheria outbreaks in U.S.S.R.

The Soviet Union suffered outbreaks of cholera in Stavropol and Uzbekistan, and an outbreak of diphtheria in Moscow, according to Soviet press reports. While two cholera outbreaks have reportedly been brought under control, another outbreak of cholera was reported in Rostov on the Don in late August.

On July 29, *Vremya* reported the outbreak of cholera in Stavropol Krai in the south, an area which has been inundated with thousands of refugees, especially from central Asia. An emergency commission is supervising the water supply and sewage facilities of the city. "It is suspected that the water contamination was due to heavy rains disrupting the water mains," it said.

On Aug. 1, a deputy health minister told *Izvestia* that as of July 30, 114 people have been hospitalized in Stavropol, 49 of them with cholera symptoms, including 14 children. Eleven of the victims are Syrians who are in the Soviet Union on construction projects and are believed to be the source of the outbreak.

On Aug. 3, *Pravda* reported the discovery of cholera in Kattakurgan, Samarkand Oblast,

Uzbekistan. On Aug. 2, the Uzbek S.S.R. President decreed the improvement of drinking water supplies to the rural population as a top priority.

On Aug. 24, TASS reported that diphtheria had broken out and claimed eight lives in Moscow where there are 154 known cases, including 33 children. Nikolai Filatov, an epidemiologist, blames outbreak on the shortage of disposable syringes. People fear AIDS, so they don't go for preventive shots for other diseases, he said.

Labor

Home ownership further out of reach

A study by the Federal Home Loan Bank of Atlanta has discovered that home ownership is even more out of reach than previously thought, as rising prices, rising interest rates, and debt already carried by low-income families, combine to keep them out of the home market.

The study covered low-income families (those with incomes 80% or less of the local median level) in 32 cities in Alabama, Florida, Georgia, South Carolina, North Carolina, Virginia, the District of Columbia and Maryland. About 39% of the region's population meets that criterion, according to Census data, the Aug. 25 *Washington Post* reported.

Airlines

Lorenzo legacy: barbarian economics

Paul Stephen Dempsey, head of the transportation law program at the University of Denver, attributes the ruin of the U.S. airline industry to deregulation, and personally to recently-retired Frank Lorenzo in a commentary in the Aug. 22 *Journal of Commerce*.

"The implicit thesis of the theology of laissez-faire is that unconstrained human greed will produce a better society. Saddling compa-

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nies with debt, crushing unions and deceiving consumers are valuable skills in this environment of social Darwinism. The pillage of companies by corporate raiders in contemporary America rivals that of the conquering Vandals and other barbarian tribes of ancient Europe," Dempsey wrote.

Pointing out that air transportation is a national, quasi-public utility, Dempsey notes that "the publicly owned portion of the aviation infrastructure—all the airports and the air traffic control system combined—has been conservatively estimated by Ted Harris, an industry expert, to be worth \$1 trillion. In contrast, the stock of all the publicly traded airlines is selling for about \$15 billion. In other words, the equivalent of 1.5% of the public investment is, under deregulation, determining how this vast national (and mostly publicly owned) resource is to be used."

Tax Policy

'Reform' destroyed U.S. oil production

The Tax Reform Act of 1986 was designed to destroy U.S. oil production, C. Paul Hilliard, chairman of the Independent Petroleum Association of America, charged in an editorial in the July 1990 issue of IPAA's *Petroleum Independent*, authored before the present Gulf crisis began on Aug. 2.

"We are now in the 4th year of survival under a system that taxes producers as a normal business only if they *minimize drilling activity*. Consequently, some of the most active, productive oil-finders in America, now in their 50s or 60s, do their drilling at Paine Webber, Shearson, or Merrill Lynch," Hilliard wrote. "They confess they haven't bought an oil and gas lease or taken a working interest in a drilling venture in two to three years and they admit they rather enjoy a life free of constant risk. Many of the younger geologists have deserted the oilfields for other jobs. McDonald's and Walmart are major employers of former oilfield hands.

"The Alternative Minimum Tax provisions, coupled with lower marginal rates, pe-

nalize those who *search* for oil and gas reserves and reward those who buy oil and gas reserves. You can deduct unlimited interest costs but you cannot deduct unlimited drilling costs. . . . The oil patch resembles a huge 'used property' lot, with most of the money assigned to buying, selling and trading used properties and with only a few new wells coming off the production line. . . .

"The domestic service and supply infrastructure mirrors the health of the domestic exploration and production (E&P) industry. Thin profits in E&P are reflected by thin profits, if any, in the support industry. Large multi-function, multi-basin, well capitalized service and supply companies (many the result of mergers and/or acquisitions) are now marginally profitable although most admit their profits are not adequate to support the replacement of essential equipment. About 65 percent of the smaller service and supply companies, extant in 1985, are now extinct. . . .

"Independents struggle for survival under: low wellhead prices, irrational and adverse natural gas transportation/distribution rate and regulatory structures, a tax code which penalizes those who *drill too much* and a troublesome, costly and growing environmental movement."

Malthusianism

World Bank renews attack on population

The World Bank is renewing its public criticism of population growth as a cause of poverty and environmental destruction after a decade of treading softly on the issue, the Bangkok newspaper the *Nation* reported Aug. 23.

World Bank President Barber Conable has been making the case in public and private meetings that slowing population growth is a basic ingredient of economic development and a major goal of World Bank activity.

"The policy is coming from the top," said one Bank official. The new emphasis by Conable is being backed by lending policy, the official said.

● **THE SOVIET ECONOMY** suffered 935 million rubles in losses the first half of 1990 due to strikes, with 65,000 man-hours of labor lost daily, the Soviet journal *Glasnost* has reported. Industrial output for the same period was 454 billion rubles. *Glasnost* warned this "growing lack of discipline" could have a "devastating effect on society."

● **CORPORATE BOND** defaults are at a 19-year high, with 29 issuers of junk bonds defaulting on interest payments on \$8.4 billion of junk bonds in the first seven months of 1990, a rate of 6.3%, up from 4.9% for 1989, according to Moody's, the Aug. 21 *Wall Street Journal* noted.

● **AFGHANISTAN** is preparing to resume sales of natural gas, its principle export, to the Soviet Union, following a two-year break that cut national income by half. The two sides have also decided to undertake joint efforts in oil and gas exploration in Afghanistan, Agence France Press reported Aug. 24 from Kabul.

● **THE USURY LIMIT** under the Soldiers and Sailors Civil Relief Act of 1940, allowing individuals in the Armed Services to limit the interest rate on personal loans incurred before they joined the military to 6%, is unconstitutional, banks are claiming. Reservists called to duty have been applying for the lower rates, the Aug. 23 *Wall Street Journal* reported.

● **BANKRUPTCIES**, at the rate of one million or more per year, will be filed in the U.S. by 1994, according to Frank Szczebax, the chief of the Bankruptcy Division of the U.S. government, told the annual convention of the National Association of Bankruptcy Trustees in New Orleans in late August.

● **THE FEDERAL RESERVE** cannot stop the recession, investment bank economist H. Erich Heinemann has declared. The Fed has eased credit, but it's to late to stop the recession, he said.