

in their own narrow and political interests. They habitually give national manufacturers preference in much of their own purchasing of technological products, from computers to power stations. The result is that the potential benefits of technological advance, and especially potential reductions of costs to ultimate consumers, are needlessly and often scandalously diluted. And scandal is nowhere more rampant than in the airline business, where the potential benefits of a beneficent aeronautical technology are watered down by the insistence of national governments that the places to which aircraft fly should be decided not by the marketplace but by negotiations among diplomats, and that airline fares should be decided by an international price-fixing cartel organized by the United Nations, the International Air Transport Association (IATA).

The only comfort in the unfortunate financial collapse at the weekend of the independent British airline Laker Airways is that the folly of governments' attempts to regulate the world's airlines may now be more widely recognized. Laker Airways, not a member of IATA, has won its reputation in the past five years by offering cheap fares on various transatlantic routes from the United Kingdom. Its attempts to bust the international cartel on routes between Britain and the rest of Europe were, however, frustrated by the unwillingness of governments other than the British to expose their national airlines to competition. While the airline's collapse is probably as much a consequence of commercial overoptimism as of unrealistic expectations that it would be allowed to continue to expand, the suspicion remains that it would not have run into trouble if the international airline business were, in the commercial sense, a business.

The difficulty lies in the widespread assumption by governments that a sovereign government without an airline is like a baseball team without a stadium — incomplete and unconvincing. For how would it seem, in the domestic newspapers, if a president or a prime minister were seen alighting in some foreign capital from an aircraft operated by some carrier other than the national airline? Worse still, how could those lined up to receive such a personage be expected to take the visit seriously if he or she were seen to be a mere fare-paying passenger? (The calculation that since many of these journeys are made with the objective of borrowing money, and that ostentatious extravagance might in the circumstances prudently be avoided, is usually overlooked.) One result is that most governments shoulder without too much complaint the direct subsidies their airlines cost (but the United States government provides hidden subsidies instead). Another is that, to ensure that their national airlines have something to do when not transporting dignitaries about the world, governments assume the right to negotiate strictly bilateral agreements with each other to regulate the numbers of flights by national airlines that there should be. Then, to limit the subsidies they must provide, governments agree that their national airlines should rig the prices that they charge.

To be fair, both the British and the United States governments have recently been trying to break free from this pattern. Within the United States, the consequences of substantial deregulation of domestic flights in the past two years have been dramatic, both in providing cheaper fares and in showing which among the competing airlines are the weak and which the strong. In Britain, the government has allowed small and sometimes new independent airlines to operate new routes and has also encouraged independent carriers such as Laker to seek business abroad. Even if, however, a substantial part of the stock in British Airways is eventually sold to the public, the existing apparatus of horsetrading for routes and price-fixing for fares will remain. For, as things are, the restrictive practices now operated by governments and their national airlines serve one practical purpose — they protect governments from themselves and from each other.

So long as most airlines are supported financially by some public and thus supposedly bottomless purse, price-fixing is defensible. Without it, there would be nothing to prevent airlines in collusion with their governments from openly selling airline tickets below the full cost of servicing them, decreasing its own

financial loss by making fuller use of its aircraft and, in the process, transferring the loss to some other carrier. The snag, of course, is that those who rig the prices are the national airlines, with no conspicuous interest in competition. Bilateral agreements on which airlines should be allowed to fly which routes should in principle be unnecessary if fares have been fixed correctly, taking full account of the costs of servicing capital as well as of flying aircraft.

Not least from nostalgia for the Laker enterprise (which may yet be rescued), the time has come when this bumbledom should be replaced. Regulations, unfortunately, cannot be entirely set aside, for international air transport is socially and commercially too important to be exposed to the risk of commercial cartelization, potentially as damaging as that now operated by governments. But the present regulation of air transport could and should be replaced by a system consisting of very little more than a set of common rules by which competition is permitted.

The first essential ingredient of such a system is that competition on routes and fares should be freely allowed between airlines provided that they do not enjoy the support of governments, direct or indirect. Common standards of safety would be necessary (as at present), but an airline able to pay its pilots and other people less than its competitors should be entitled to charge lower fares. Arrangements would be necessary to ensure that airlines did not subsidize competitive routes or some categories of passengers at the expense of others, but such tasks are familiar and well within the competence of accountants.

But how, if governments are wedded to the concept of a national airline, can such a state of grace be reached? Fortunately, at least some governments seem now to be disenchanted with the need to hand out subventions every year. Why should they not club together to put the airline business on a rational footing, using the existing apparatus of restriction and pricerigging to regulate their dealings with the airlines of more backward states? Even if only Britain and the United States were able to make a deal along these lines, a telling example would be provided for the others. But the natural place for an agreement is within the European Community, which has been talking about the issue for a decade to no effect.

New budget, no change

Science does well, on paper, in the US budget for 1983. But the promise is paper-thin.

President Ronald Reagan's second budget (or is it his fifth?) is, as predicted, kind to science but, unexpectedly, beastly to the conservative aspirations of the President's supporters. Although there will be many disappointments in the proposals published at the weekend, many of the obvious ways in which economies might have been sought have been avoided. The new (and much delayed) accelerator at Brookhaven is not permanently scrapped but put into suspended animation. The basic research programme supported by the budget of the National Aeronautics and Space Administration survives more robustly than seemed likely only a few months ago, marred only by the folly of the decision that there will be even less support for attempts to make sense of the data existing and new which spacecraft will collect. Similarly, the chief sources of support for research at United States universities — the National Science Foundation and the National Institutes of Health — are to be protected from the consequences of inflation. If only (but see page 449) the Department of Defense can spend some of its extra money in the universities, the research community will be in good shape.

The snags are less easily defined. Cutting back on student support will put more severely to the test than in the past few months the unproven hope that students will, when pushed, work their way through every course of study — and may be disastrous. Even more seriously, the cavalier decision that budgets need not be balanced, with its inflationary and international consequences, may so undermine the economic well-being of the United States that the formal protection of research will count for nothing.