

ELLIOT "BUCKY" BUCKINGHAM, an engineer (and, via his wife, Marianne, a distant relative of mine), lives on 40 acres of gorgeous rolling countryside in Vermont. Commercial dairying has died out there, but people keep a few animals as a small income supplement or as a hobby, or just to keep the verdant grass under control. The rainfall feeds fresh, bubbling brooks and is sufficient to support magnificent beech and oaks as well as the maples common to the whole northeast United States.

Bucky, as everyone calls him, is one of America's leading designers of gears—not automotive gears, but gears for all other kinds of machines. His father wrote the basic manuals on gear design in the 1920s, and Bucky has taken them over, modernizing the manuals in line with changing metal alloys and needs. He lives just outside Springfield (population 10,000), which has two quite substantial machine and tool factories, but his work as a free-lance gear consultant comes from all over America. Equipped with an Apple II computer, drafting tables, typewriter, and telephone, he works in an office that, overlooking the woods, covers the whole top floor of a second house he built for renting.

Until two years ago the Buckingham family used to have two cars. One of them spent

Spreading Wings Across America

Thanks to airline deregulation, small towns have more air service than ever before.

BY PETER SAMUEL

a lot of time 100 miles south of Springfield, in the parking lot of the airport at Hartford, Connecticut, when Bucky was in Chicago or St. Louis or San Diego or wherever new gear designs were needed. Now he has sold his second car.

With airline deregulation, the commuter air service out of Springfield has dramatically improved. There are now one-hour flights four times a day to and from Boston. From Hartford, where he used to drive, Bucky could not fly direct to anywhere west of the Mississippi. From Boston, which was too far to drive to—but which now is an excellent quick commuter flight—Bucky can fly direct to

anywhere in the United States.

Bucky's experience seems to be typical. A study by the Civil Aeronautics Board (CAB), "Developments in the Deregulated Airlines Industry," by David Graham and Daniel Kaplan, shows conclusively that service to small communities has greatly improved in the United States with the abandonment of CAB controls over airline routes and charges. Some 132 communities are recorded as having lost regular jet airline service since deregulation, but, says the report, as these "airlines have moved out, the commuter (airlines) have moved in with the small aircraft suited to these markets. On average the commuter airlines are supplying these communities

more service with lower subsidy costs than was provided by the certificated airlines." Flight frequency has improved overall. Commuter traffic grew 20 percent in 1978 and 29 percent in 1979—the small planes are definitely accepted by travelers.

Airline routing has changed significantly since the days of license controls over flight routes. The routing that has emerged under free competition, the CAB report notes, has accommodated travelers' needs better than the planning process involved in licensing ever managed to do. Under competition, travelers have fewer connections to

make and fewer switches between airlines. There are more direct flights from origin to destination.

Airline routing is described using bicycle-wheel imagery: an airport is a hub and the routes are spokes coming into the hub. The CAB divides airports into four categories: large-, medium-, and small-sized hubs and nonhubs (places with only one or two routes connecting them). Prior to deregulation, "nonhubs"—or the smallest communities—had been actually *losing* some service; but that has been reversed. The most recent pattern is for large and small hubs to gain business at the expense of medium hubs. Deregulation in the United States occurred simultaneously with a greater than doubling of fuel prices and coincided first with economic growth, then with recession; so cause and effect are difficult to establish precisely.

But in this report the CAB is insistent that smaller communities have benefited most from deregulation. In an elaborate study that simulated actual trips on a computer, travel convenience between the four different-sized airports before and after deregulation was measured. Taking into account frequency of flights, flight availabilities, flight times, and waiting times for connections, the study revealed that travel convenience between all large hubs and between large and medium hubs remained essentially unchanged. Travel convenience from medium to small hubs declined somewhat. But convenience improved significantly in three categories of hub traffic—medium to medium, large to small, and small to small. Nonhub to nonhub travel improved insignificantly. More small-hub traffic is going direct to big cities, less to intermediate-sized airports.

All this is particularly interesting because, prior to deregulation in the United States, the most frequently voiced fear was that under competition

service to small communities would decline. Experience has proved precisely the opposite: small communities have benefited even more than all others! It turns out that the small communities had been the most *ill-served* by bureaucratic planning of routes and absence of competition.

Services are "more integrated" now with competition, the CAB study shows, and this is of most benefit to those in small communities making complex trips. "Fewer trips today require connections than in 1978. And of the trips that require connections, a greater share are made with a single airline than before. . . . smaller communities are getting more direct service to their ultimate destination."

Or, to put it more personally, Bucky's experience is probably being replicated in small settlements all across the United States. □

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Silver Swings

(Continued from p. 36.)

coin, which they had purchased well below melt value, at prices well above melt value.

The whole episode was phenomenally profitable for such firms. Consider the following hypothetical figures, all based on actual market prices. When the spot price of silver bullion was \$40, silver coin traded for about \$27 per fine ounce. A firm purchases 1,000 bags of silver at a cost of \$19,305,000. To eliminate its risk, it sells 715,000 ounces of silver for six-month delivery, at the futures price of \$45 per ounce. That sale will yield \$32,175,000 when it is consummated.

Now there are three things the price of

silver may do during the subsequent six months: it can rise further, stay about the same, or drop. If the price rises further or stays the same, the firm refines the 1,000 bags. The refining would cost about \$200,000. The firm then delivers the refined bullion against its futures contract. Under such circumstances, the firm's operating profit on the transaction works out as follows:

Expenses:	
Financing (@ 22%)	\$2,123,000
Refining	200,000
Silver coin	19,305,000
Miscellaneous	50,000
TOTAL	\$21,678,000

Income:	
Sale of bullion	\$32,175,000
Operating profit:	\$10,488,000

If, on the other hand, prices drop, the firm simply covers its future position by purchasing bullion for future delivery, and it sells its bags on the cash market. Suppose the firm decided to bail out at \$15 per ounce. It would cost approximately \$16.75 per ounce to buy bullion for five-month future delivery. There would be no refining costs; financing costs would be considerably less, because the transaction would be completed earlier. The firm's operating profit would run as follows:

Expenses:	
Silver coin	\$19,305,000
Financing	707,700
Bullion	11,976,250
Miscellaneous	50,000
TOTAL	\$32,038,950

Income:	
Sale of bullion	\$32,175,000
Sale of coin	\$12,400,000

Operating profit:	\$12,536,050
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The firm's profits were locked in when they simultaneously purchased the coin on a spot basis and sold the bullion equivalent for future delivery. Their risk was negligible.

The net result of the government's intervention in the commodity and credit markets was mass disruption of the market process. The irony is that the government believed that it was necessary to protect the public, but in fact it created a situation in which the general public was unable to sell coins and scrap except at very low prices in relation to spot markets. Huge multinationals, on the other hand, were able to exploit the situation and make a killing. □

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COMING ATTRACTIONS

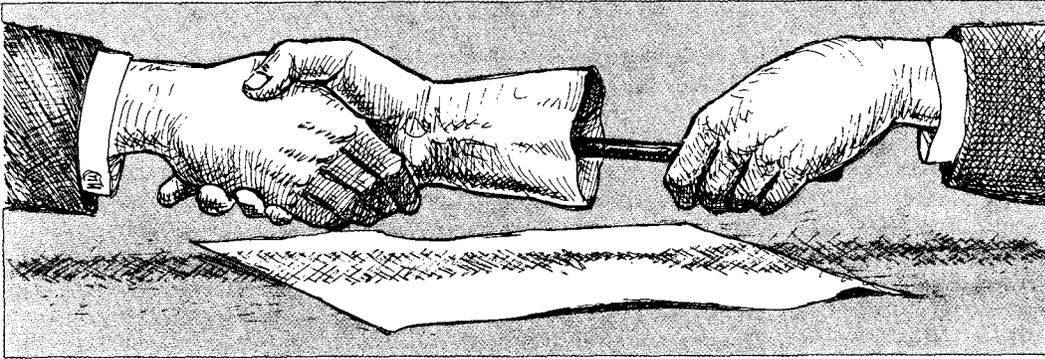
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DIPLOMATIC



DELUSIONS

A leading Soviet dissident unmasks the hypocrisy of Helsinki

By Petro Grigorenko

ON THE FIRST DAY of August 1975, government leaders of 35 western nations, including the United States and Canada, signed the Final Act of the Conference on Security and Cooperation in Europe in Helsinki. Two days of oratory by the leaders of these countries preceded the signing of what have come to be known as the Helsinki Accords. Leonid Brezhnev was among those participating in this grandiloquence.

Exulting over this impending and important Soviet diplomatic victory, Brezhnev extolled the terms of the Final Act that was about to be submitted for signing: "The parity of interests of all the participating states was painstakingly considered in the formulation of this Act; the results of the lengthy negotiations are such that there are no victors or vanquished, no winners or losers. All have won!" The difficult road from conception to culmination of an all-European conference was now behind us, he added.

I reflected upon this "difficult road" as the sixth anniversary of the signing of the Final Act passed by unobserved, disregarded, and fruitless. I assure you that the concept for this conference was the brainchild of Soviet diplomacy.

For several years this Soviet-born idea floated about the world until it became a reality in July 1973, in the form of the Helsinki Conference on Security and Co-

operation in Europe. At that time I was a prisoner of the special psychiatric hospital in Chernyakhivsky. Thus, the information reaching me from the outside world was extremely limited. Since I knew that the USSR had no real desire for a peace treaty and therefore no genuine interest in peace negotiations, it was obvious to me that the Kremlin was searching for an expedient ersatz agreement to befuddle and mislead the Western nations. The Helsinki Conference could be a convenient vehicle to attain that goal.

TRANSPARENT DECEPTION

This obvious deception appeared so transparent that I had no doubt that the West agreed to hold the conference only to expose the Machiavellian conduct of the USSR. The dearth of information provided by the media upon my return home in June 1974 did nothing to sway my conviction.

Like a bolt out of the blue, however, this lull of information was broken by news of the July 30, 1975, meeting of governmental leaders of the 35 countries for the signing of the Final Act at Helsinki. That was, indeed, a stunning victory for Soviet diplomacy: in the guise of the Final Act, the USSR was granted the substitute "peace treaty" it wanted. Europe, Canada, and the United States recognized all Soviet territorial con-

quests from World War II without receiving any concrete quid pro quo.

For me and my friends in the human rights movement in the Soviet Union, it was obvious that the Soviet government would not fulfill its human rights obligations under the agreement, and without this, there could be no assurance of security for Europe. Remaining the closed society that it is, the USSR was given full reign to violate any of the treaty's provisions, while the West, with its serious regard for international treaties, would scrupulously fulfill the provisions of all articles of the Final Act, thereby assuring full security to the Soviets. This was evident: the Final Act is advantageous only to the USSR. For the West it is dangerous, because it creates in the free world an illusion of security and tends to leave the democratic countries defenseless.

As we foresaw, recent experience has revealed that the Helsinki provisions untied the Soviet Union's hands for its adventures in the non-European theater. It also aided in masking the Soviet arms race and provided it with additional weaponry for weakening the defensive capabilities of the West through unilateral pacifist propaganda aimed at the West.

Fortunately, among us there was one individual who understood that these ac-