



THE ECONOMY

■ In 1987,

CLEAN-AIR DEBATE

Reformulated Gasoline Gets

By Scott Pendleton

Staff writer of The Christian Science Monitor

BOSTON

THE strategy of the United States oil and automotive industries is working.

Successful lobbying resulted in the "fuel-neutral" clean-air bill that the Senate began debating. Snog - ground-level ozone -

corrodes plastic, paint, and rubber. Half comes from cars, which emit hydrocarbons and nitrogen oxide. These chemicals react in sunlight to form ozone.

Air quality in most US cities has improved dramatically since federal clean air laws were enacted in 1973. Hydrocarbon emissions from auto exhaust are down 97 percent.

Yet 88.6 million Americans in 1987 lived in counties that ex- president of Phillips Petroleum,

speaking for the oil industry. Nor can existing cars burn methanol without eventual engine damage.

The methanol provision would have obliged the oil and auto industries to outlay huge sums without a guaranteed return. It would have transformed the refining segment of the oil industry, which employs 120,000 and represents assets worth \$150 billion. During January, oil companies produced 985 million gal-

Get Negotia

By Amy Kaslow

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WASHINGTON

Milk Hormone's Benefit Doubted

By Simon Garfinckel

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BOSTON

THE experimental hormone that makes cows produce more milk may prove expensive for Uncle Sam.

By stepping up milk production, bovine somatotropin (BST) could depress prices and require the federal government to pay more in price supports under the Food and Agriculture Security Act of 1985, predicts a pair of agricultural economists.

BST, a naturally occurring hormone which can now be produced in the laboratory, is under review by the Food and Drug Administration. In addition to the drug's effect on the public health, legislators should be concerned about its potential to affect the national economy, say Russell Gum of the University of Arizona, and William Martin of the University of Illinois.

Drs. Gum and Martin have been developing economic models to explore the impact of biotechnology on the national economy. They take into account such factors as impact on related commodities and raw materials, imports and exports, federal price supports, and changes in patterns of use. They presented their findings last month at the annual meeting of the American Association for the Advancement of Science.

Consumers always benefit from biotechnology because of reduced costs, they found. But biotechnology holds a more checkered promise

for producers: The first who turn to it enjoy substantial short-term gains, because their costs drop while the market price for their products remain relatively stable. But as more producers turn to biotechnology, lower costs force down prices. In the absence of federal price supports, producers eventually earn less money than if they had never turned to biotechnology in the first place.

With federal price supports, milk producers stand to gain \$3 billion in income, while consumers would save \$1.7 billion. But the cost to the federal government would be \$23 billion. "For every dollar you expend, you get back 20 cents," said Gum. "If we had BST, the government programs would have to change drastically to avoid having huge government" subsidies.

WITHOUT federal supports, milk producers would lose \$59 million, while consumers would save \$1.6 billion. "Without the farm program, producers lose slightly, while consumers gain," he said.

Recently, small dairy producers across the country have been urging the banning of BST, saying that it will wipe out the family farm. But should BST be banned, the effects might ripple far beyond the dairy industry, says John W. McClelland, an economist with the United States Department of Agriculture.

"If BST doesn't make it through the regulatory process, there are very large companies that are going to lose hundreds of millions of dollars." Funding might "dry up" for other biotechnology projects, says Dr. McClelland.

SOFTWARE to help third-world countries in trade negotiations has been designed by the World Bank, in conjunction with the United Nations Development Program.

The Software for Market Analysis and Restriction on Trade (SMART) system is available free to governments. SMART diskettes contain data from the General Agreement on Tariffs and Trade (GATT), the UN Committee on Trade and Development, and national government data. The only developing country cost is an IBM-compatible personal computer and a modem to receive current information.

The developing world, with very limited resources, has been at a distinct disadvantage when negotiating at GATT sessions.

Industrialized countries have government departments and negotiating teams devoted to imports and exports, regulations, tariff and non-tariff barriers, as well as production and pricing. They are ready to pounce on violators and to take advantage of sudden opportunities.

SMART fulfills a promise, made by World Bank President