

## Deregulation

### Extending Deregulation

#### Make the U.S. Economy More Efficient

#### Background

Deregulation of major industries in the United States began in the 1970s and spread to the United Kingdom and, to a lesser extent, to the European continent. Despite enormous success, the deregulatory movement may be stalled and even subject to reversal in the wake of spectacular failure in the perceived “deregulation” of the electricity industry in California, doubts about the wisdom of British electricity and rail privatization, and debates over access of content providers to new broadband telecommunications services.

#### Recommendations

Few industries remain subject to classic economic regulation in the United States. To help remove some of the last vestiges of such controls, the next President should:

- promote full deregulation of all voice telephone services
- oppose “network neutrality” initiatives for broadband telecommunications that would interfere with pricing innovations designed to relieve network congestion
- within the electricity sector, support market reforms (such as real-time pricing) and incentives for expanding or preventing overloads in transmission grids and distribution networks and allow states to proceed at a measured pace in deregulating electrical generation
- promote competition among airports and privatization of air traffic control in order to improve the pricing of airport landing rights and reduce air traffic congestion
- back “open skies” or “cabotage” approaches to international air travel and allow more foreign investment in domestic airlines

Even more important, the next President should act to restrain government interference in markets that does not quite amount to classic economic regulation.

#### Key Facts

- deregulation reduced airline fares, trucking costs, and railroad transportation costs by about \$35 billion per year (in 1995 dollars), largely through improvements in efficiency

- about two-thirds of the communications sector (including long distance services, broadband services, telephone terminal equipment, and cable television) has been deregulated
- local telephone service and broadcasting are still regulated
- overall, the amount of regulation has fallen by roughly 74 percent

A full version of this proposal, as well as supporting background material, is available at [Uwww.opportunity08.org](http://www.opportunity08.org).

## **About the Author and the Project**

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Robert Crandall is a Brookings senior fellow. He is an expert on antitrust and regulatory policy; the auto and steel industries; and telecommunications. Crandall was the deputy director of the Council on Wage and Price Stability during the Ford and Carter administrations. He has been a consultant to the Environmental Protection Agency, the Antitrust Division of the Federal Trade Commission, and the Treasury Department.

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