

## **PANEL: TRANSPORTATION WITHOUT REGULATION**

**DR. FREDERICK C. THAYER; DR. THOMAS GALE MOORE  
MODERATOR: MARCUS ALEXIS**

MR. ALEXIS: Good afternoon. I am delighted that so many of you are willing to stay for this final session. I was afraid that we would have a little seminar between ourselves.

It's a pleasure for me to be back, in this my first official act of any sort since leaving the Commission six years ago.

Some of the points I have prepared have been covered in comments by the moderators of other sessions. But, since they are the only comments I have prepared, you will have to suffer through them once again.

I really mean these from my heart.

This morning, Mr. Miller spoke about service on the Commission. Over the years, I have given a great deal of thought to the two years I spent on the Interstate Commerce Commission.

I felt then, and still feel so today, that it was a great honor to have served on this Commission. It is the oldest of the federal regulatory commissions and has had a grand and glorious history.

It has served the people of this nation well in many respects. In the two years that I served on the Commission, we made historic moves towards putting surface regulation in a market setting. I will always treasure my service here as one of the high points of my personal and professional career.

I learned, because I occupied every office in the Commission, the importance of collegiality in the workings of the Commission. The ICC is a collegial body which works best when there is a consensus that can be clearly communicated to the public as the sense of the Commission.

It is important in developing that consensus that members respect each other even when there are differences in the positions that are taken. Mutual respect is an important part of developing consensus and collegiality.

I would be remiss if I did not say how important it is to have good staff. Some note has been taken of them today. It cannot be denied that the heart and the soul of this agency is its able and dedicated staff.

A popular sport is to make light of the "bureaucrats" in public service, the professional civil servants, to decry how little they work and how well they are paid.

I am one who does not share that opinion at all. Most of the staff at this agency that I have had the privilege to work with have earned their pay and more; many have stayed here when there were better-paying jobs elsewhere.

For the record, I would like to express my appreciation to those of you on the staff who made those of us in the comfortable commissioner suites look good. If it makes you feel any better, I never got to use my shower.

And I never opened that safe.

Those were two temptations I was able to resist.

Finally, I would like to say some things about the environment which existed in a policymaking sense during my tenure on the Commission and about the position that I and others who supported a movement towards a more market-sensitive rail and motor vehicle industry endorsed.

One, it should be said that it was always clear to those of us who supported regulatory reform — a term I prefer to "deregulation" — that motor vehicle safety enforcement was a very important element of reform.

Many people support the view, myself included, that enforcement could be better done by the Bureau of Motor Carrier Safety at the Department of Transportation.

The reason why safety is an important element in this reformed environment, is because it transcends the transaction between shipper, receiver, and carrier. Even if one is prepared to permit truck drivers to take risks that result in their death and the destruction of the goods they haul, one must still be concerned about others potentially (or actually) damaged by lax operators.

Safety is important because of what economists call externalities: costs (benefits) that befall persons not party to a transaction.

A second element which is important, is a vigorous enforcement of antitrust regulation, to guard against re-emergence of cartel arrangements, and the possibility of monopoly.

A third element is a severe penalty for genuinely anti-competitive be-

havior, the type that harms the shipping public by restricting service and rate options.

These three elements were always preconditions to a general support for reform or deregulation, if you will, in the trucking industry and greater regulatory freedom in railroads.

One of the difficulties in regulatory reform is that people tend to remember the reform aspects and not the caveats. As I stand here today on this 100th anniversary of the Commission, I reaffirm my commitment to reform in the surface transportation industry.

Let me say, that I remain a dedicated supporter of the efforts that took place in the late 1970's and early 1980's which moved the trucking and railroad industries much closer to being market-sensitive and responsive industries.

The benefits of reform have been enormous. They have come about in ratemaking and in services. There have also been impressive gains in efficiency. We have seen innovative services that no one on the Commission could have imagined would develop so soon after implementation of the reform legislation.

The Commission can take some credit for its activities in the areas of developing and pushing the legality of contracts, and for its insistence that the Chicago and Northwestern have a property right in the rail link that was built in the Powder River Basin. The latter has resulted in a tremendous increase in competitiveness in the movement of coal out of the Powder River Basin.

I could name a number of others; Commission efforts have resulted in a very large increase in the number of minorities who now have certificates in the motor carrier industry. I understand that we also have minorities who own and operate railroad properties.

These are economic and social changes which I consider to have been momentous. There are still problems and things that we could not have anticipated. But I would think that on the report card of the movement towards a market operating system, that the changes that took place in the late seventies and 1980s would have to earn at least an "A-minus". Now, I'm a tough grader, but I give a tough grade because, in this case, I am grading myself to some extent. I think a more objective and permissive grader would give the Commission an "A".

Finally, let me say — and I hope I'm not stealing the thunder from our two speakers — on the future of the Commission: I am not at all convinced that moving the remaining functions of the ICC to other agencies would improve the manner in which those functions are performed. In particular, I think moving them to the Executive Branch would politicize

them to an extent that is not even thought of in the ICC. I am not even sure that they would be performed at a higher level of skill.

It seems to me that the real issue is: what functions should the ICC be performing? Or, what functions should be performed in terms of supervision or regulation of surface transportation?

Those that are not necessary should be eliminated altogether and should not be transferred to another agency.

And I would say that there is room — considerable room — for reducing the regulatory impact of the ICC. But the gains one would get by symbolically closing the ICC are outweighed by the potential damage of politicizing the regulation of surface transportation.

Thank you.

I've just decided on the order in which we'll go.

We have two distinguished transportation experts today who have written widely on the subject and are on different sides of the issue, as you might suspect.

Fortunately, they're not both economists because, according to the old story: if you placed economists end-to-end, you would never come to a conclusion.

I don't know what happens if you combine an economist and a political scientist, but we shall find out soon.

Our first speaker will be Dr. Frederick Thayer, of the University of Pittsburgh.

Dr. Thayer received his bachelor of Science degree from the United States Military Academy at West Point. He received a master's degree from Ohio State University in Political Science, and a Ph.D. from the University of Denver in International Relations.

Our second speaker is Dr. Thomas Gale Moore, who is a member of the President's Council of Economic Advisors.

Dr. Moore was educated not far from here at George Washington University, and received his Ph.D. in Economics from the University of Chicago.

He has taught at Michigan State University and was most recently Director of the Domestic Policy Section at the Hoover Institution at Stanford University, where I used to send a lot of money when my children were in school there.

I hope some of it went to you, Tom. I —

DR. MOORE: Not a cent.

MR. ALEXIS: Not a cent. Well, sorry to hear that.

Tom and I have spent a good deal of time at many conferences, discussing transportation issues. You will discover that those of us who sup-

port more market freedoms are not unanimous on how that should transpire.

Finally, I'd like to make one personal note. When OMB Director James Miller spoke this morning and recounted the involvement of those who were here, I must say that his account of history was not complete.

I am happy that our moderator did point out that, in 1981, I did serve as acting Chairman of this Commission and did play some role in the events that took place towards the movement for more regulatory freedom.

With that personal note inserted, I will now turn to Dr. Fred Thayer of the University of Pittsburgh.