

Editorial

by Nora Hamerman

Deregulation is economic warfare

Already reeling under Federal Reserve Board chairman Paul Volcker's credit crunch, the American economy is about to be hit with the next phase of economic warfare: Trucking, rail, shipping, telecommunications and other vital industries are slated to be deregulated within the next six months, stripped of the government regulations which have generally promoted industries since the Depression.

Far from stimulating "healthy competition" as its advocates maintain, deregulation will lead to the elimination of all but a few giants in the transportation and telecommunications fields, and unprecedented *regulation* of the economy under them.

The Motor Carrier Reform Act of 1980, a sweeping piece of legislation which overrides 45 years of regulation in the trucking industry, is now expected to pass Congress in mid-April. Touted as "anti-inflationary" by its advocates from liberal Sen. Kennedy to the conservative Friedman crowd, the actual impact will be price wars; lethal cutbacks on maintenance and capital investments by carriers; the abandonment of unprofitable routes, leaving thousands of small towns in complete isolation; deterioration of pay scales and work conditions; and a dramatic increase in the accident rate. The consequences and costs were detailed in a 1979 *EIR* Special Report, where deregulation was shown to be a "disaster worse than Vietnam."

Moreover, under a ruling the Interstate Commerce Commission is expected to adopt this spring, return on equity in the industry will be limited to 12 or 14 percent. In the present tight-money environment one-fourth to one-half of the nation's carriers could be put out of business, since they are forced to borrow money at an average current rate of 35 percent, more than double the rate they will be permitted to make on equity investment!

In addition to trucking, the Senate has just

passed a bill ending a century of regulation of the railroads and on May 1, a House bill deregulating the shipping industry comes up for vote.

The issues in this deregulation fever go to the very heart of the historical battle between the American System of economics practiced by Washington, Franklin and Hamilton, and the various followers of Adam Smith, who used the slogan of "free trade" to carry out economic warfare against infant American industries in the 19th century.

American industry was built under the aegis of Alexander Hamilton's 1791 "Report on Manufactures." Hamilton defined mankind's power to extend human sway over nature through technology and manufacture as the central conception of political economy and insisted that government must help to create the conditions for such industrial growth. Despite a concerted assault under presidents Jefferson, Madison, and Monroe, elements of the Hamiltonian approach persisted until Jacksonian economics brought the U.S. government fully under the British System.

Andrew Jackson terminated the federal government financing and regulation of "internal improvements" in the country's infrastructure. As a result of Jackson's version of "dereg" numerous farmers were bankrupted; the U.S. rail system grew chaotically and offered a field day for speculators. Many areas did not get transportation service.

Only under Lincoln were national rail corporations actually established by Congress. Later, in 1887, under pressure from a Lincoln-allied Supreme Court, Congress created the Interstate Commerce Commission.

The resulting national transport network capable of supporting a rapidly growing industrial economy is what the "deregulators" of today want to turn back the clock and destroy.