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DEREGULATION: THE NEW WAVE

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Nearly every activity Americans engage in and nearly every product Americans consume is regulated in some way. One would expect business behavior, employee safety and health, and consumer rights to be supervised or protected by some government agency or another. In fact, it is possible for any one product or service to be regulated by dozens of agencies and provided under the guidance of as many as one hundred different regulations. While it is clear that the regulatory process needs review, it is not clear that the rush to deregulate is prudent.

This article will explain how regulatory decisions are initiated, administered and enforced. It will give an overview of the philosophy behind the current trend toward deregulation and the results experienced by a few industries thus far.

Regulatory Agencies--Regulation of industry was considered a progressive action 50 years ago. It was considered protection for both industry and labor. It was believed to prevent destructive competition and to preserve jobs. In fact, many of todays regulatory agencies got started because Congress preferred federal to self-imposed, private regulation. Many agencies were developed at the suggestion of strong industrial lobbies, and continue under the influence of the leaders of those industries they were meant to regulate.

A move toward federal regulation of a particular industry can be initiated by any business, employee, or consumer group that has the influence to convince the federal (or state) legislature, judiciary, or administration to introduce new restrictions. Popular examples of regulatory agencies include the Occupational Health and Safety Administration (OSHA), the Food and Drug Administration (FDA), the Securities and Exchange Commission (SEC), the Nuclear Energy Regulatory Commission (NERC), the Environmental Protection Agency (EPA), the Federal Aviation Administration (FAA), and the National Highway Traffic Safety Administration (NHTSA).

Often, it takes an act of Congress to create a new federal regulatory agency; but the administration and enforcement of regulatory agencies' policies fall under the jurisdiction of officials appointed by the President. Leadership within an agency often changes when there is a change in the Administration. Thus the regulatory philosophy of a recently elected Administration can be adopted and implemented rapidly.

For example, the U.S. Department of Labor's Secretary is appointed by the administrative branch (the president). The Occupational Safety and Health Administration directs research and makes policy recommendations under the scrutiny of the Secretary of Labor; and OSHAs budget is subject to the approval of the Office of Management and Budget (OMB) (as are all federally funded programs). Since the Director of OMB is also appointed by the President, policies and activities contrary to the philosophies of the current administration have little chance of succeeding.

Reaganomics Revisited--The philosophy of the current Administration requires the review of existing regulations to test their effects on the competitiveness of American industries. It is, in general, an argument that regulations increase costs to firms, causing industries to decline and placing them at a disadvantage in the world market. Deregulation, then, is expected to cut costs and increase competitiveness.

Deregulation of the air passenger industry has been supported by Congress and the administration since the late 1970s. Allowing more flexible fares and easier entry into various markets was expected to increase price competition and force carriers to become more efficient, without an adverse effect on jobs, service or safety. Its opponents believed, however, that (unprofitable) service to small communities would decline, routes would be concentrated among a few of the larger carriers, passenger service would deteriorate, and employees would suffer.

When the Airline Deregulation Act was passed in 1978 measures were taken to preserve service on routes to small and intermediate sized cities; and an Employee Protection Plan was instituted to protect workers displaced by deregulation. However, in the 5 years immediately following the passage of the ADA most unions (with the exception of the IAM) at all major carriers made wage and\or workrule concessions, and over 20,000 full time jobs were lost. (All cases brought heretofore under the Employee Protection Plan have been suspended by the Justice Department at this writing.)

While it is true that industry problems were exacerbated by high fuel prices, a deep recession, and the firing of 12,000 striking air traffic controllers (which cut flights in half), several major carriers admitted to taking advantage of these events to force labor concessions wherever possible.

The evidence on the issue of safety is not as easily documented. None of the carriers involved in major accidents last year has been proven to be at fault. Prior to 1985 the industry safety record was improving. Yet, a greater number of violations have been cited and larger fines have been charged recently than in the past; and the FAA has admitted to having trouble assigning enough inspectors to ensure safety on all flights. It has also been argued that airlines' cost cutting measures with respect to labor will eventually lead to depressed employee morale that could have an adverse effect on safety.

A Little Regulation Never Hurt Anybody--Studies have shown that many regulations protect consumers and workers effectively. Mandatory installation of safety-belts, for example, is known to save lives. A responsible, effective regulatory policy would concentrate on preserving those regulations that protect health and safety. Yet deregulators seem to prefer those policies that weigh the benefits of efficiency and profits more heavily than the costs in lives and health. They would have consumers and workers believe these benefits will be passed on to them in tax savings, lower prices and better service.

A March 1986 Wall Street Journal study concluded that job deaths and injuries are rising as cost-cutting measures are taken and regulation is eased. The industries pointed out by the study as most affected by deteriorating safety conditions include construction, manufacturing and oil and gas extractions. The study gives examples of safety engineers being laid off, safety records being doctored to prevent inspections, and unions sacrificing safety issues to save jobs. The authors report that OSHA blames budget cuts for enforcement problems, as well as difficulty in getting regulations approved by OMB.

On the other hand there are new regulations the Administration supports that appear quite harmful. Medicare, for example has suffered an increase in regulation that resulted in less available health care. The recent development of Diagnostic Related Groups (DRGs) limits the number of patients eligible for care, specifies the type and duration of physician care, and often results in the release of patients not fully recovered. The DRG regulatory program quite successfully passes costs on to retirees, consumers, and workers.

When cost-cutting is all that matters, it is apparent that the Administration and industry officials do not pay careful attention to which regulations are protective and useful. Rallying behind the cry for deregulation doesn't appear to be just what the doctor ordered; but rather a course of action that is damaging to the present and future health and safety of all workers and consumers.

-- *Lisa Saunders*