with $25,000 in capital, less than the cost of the most modest family home?

Having lied, the deregulators feel confident in saying "that in a free market the quality of service would depend on customer needs and desires, that it would certainly not necessarily be worse than it is now and would probably be better in remote areas, and that regulation has fostered both monopoly and costly inefficiency." The speaker is Dr. Thomas Gale Moore, high priest of Adam Smith at the Herbert Hoover Institute at Stanford University, the thinktanker whom the deregulators quote most often. Apart from his prestige position at the Hoover Institute, Dr. Moore is the leading theoretician for the so-called Libertarian Party, a kook group led by one Roger McBride. The Libertarian Party wants to deregulate trucking, deregulate the rest of the economy, eliminate income taxes, legalize prostitution, sodomy, pederasty, and the dope traffic.

Moore is especially shameless about his ideological warp: he explicitly praises Britain's ten-year-old system of trucking deregulation as a model for the U.S. That recommendation takes a considerable amount of courage in view of the state of the British economy, the industrial world's basket case of obsolescence. Even so, the best he has to say about British trucking is that "The effect of the 1968 Transport Act on the British trucking industry has not been great. Profits have apparently remained stable ... prices have tended to decline, and service quality has been little affected."

Dr. Moore, so to speak, slit his throat with his own pencil by making such a statement. It *is* true that overall British trucking rates fell ever-so-slightly after deregulation, relative, of course, to other prices. (During the same period, American freight rates—relative to other prices—fell by a staggering 38 percent in the Middle Atlantic rate conference).

Deregulation leads to lower freight costs, Moore asserts—or does it? Another more discerning expert on the trucking industry points out that in the case of Britain, overall rates may have fallen, but for a simple reason: the British trucking industry has pathetically low levels of capital investment. To be precise: full truckload rates fell by 10 percent, while less-than-truckload rates—for the kind of shipment that requires distribution terminals—rose by a staggering 40 percent!

The only reason that overall rates for motor transport fell in Britain is that the British carriers are too backward to handle less than a full truckload under most circumstances. That is an impressive indictment of the British trucking industry, and the British economy in general. A truckload is usually defined as five tons of goods, although modern rigs can carry up to four times that amount. In the United States, most freight travels in less-than-truckload volume—which means a merchant can order a shipment weighing a few hundred pounds and get 24-hour delivery. In Britain, the same merchant or other shipper will wait for days until a full truckload to his area is filled. The difference is that in Britain, motor carriers make practically no investment in efficient terminal facilities. In the United States, half of carriers' expenses pay for terminal facilities.

In a 1976 critique of deregulation, the Interstate Commerce Commission's Bureau of Economics calcu-

Dereg will 'Balkanize' U.S.—former ICC members

Nine former members of the Interstate Commerce Commission issued a state-ment June 14 warning that plans to deregulate the U.S. trucking and transportation industry would lead toward the "Balkanization" of America. The nine were Owen Clarke, Robert J. Corber, Abe McGregor Goff, Dale W. Hardin, Alfred T. MacFarland, Donald P. McPherson, Robert W. Minor, Rupert L. Murphy, and Charles A. Webb. Excerpts from the statement follow.

We are former members of the Interstate Commerce Commission whose combined service in that agency totals 71 years and five months. Our service spans the period beginning July 10, 1953 and ending August 31, 1978.

This statement is published in the hope that it may clarify a few basic issues in the current debate on regulatory reform for surface transportation. Our statement implies no criticism of incumbent Commissioners. Sharp differences of opinion exist within the transportation community on the extent to which surface transportation should be regulated. Such differences exist among ourselves....

The conflicting claims of individual carrier action and creation of a system of transportation were first resolved by Congress some 92 years ago. The Congress rejected rampant individualism, on the one hand, and, on the other, state socialism and nationalization of transportation. Charting a safe course between license and regimentation is not a problem peculiar to transportation but the consequences of navigational error are devastating.

There is an essential difference between an industrial cartel and a carrier rate bureau. Members of an industrial cartel have no obligation to create and to operate, for example, a national steel system, a coordinated electronics system, or an integrated system of supermarkets. On the contrary, our economic Magna Charta, the Sherman Act, prohibits any such form of cooperation because it is unnecessary and would deprive the public of the benefits of relatively unrestrained price competition. On the other hand, the concept of a national surface transportation system comprised of privately lated what would happen to American trucking rates if the United States took the British route. The ICC applied a 10 percent rate decrease to the $13.6 billion in currently regulated truckload deliveries; it then applied a 40 percent rate hike to the $21.4 billion worth of less-than-truckload (LTL) shipments. The result is a net *increase* of $7.2 billion, or more than 20 percent!

In Britain, average delivery time is roughly 96 hours; in regulated (and technologically advanced West Germany), over comparable distances, delivery time is roughly 24 hours, or one-quarter as much. Delivery time in the regulated American industry, adjusted for much greater distances, are in the same range as the far-superior West German performance.

Britain is, of course, a special case, and it is not sufficient to say that deregulation in the United States will have the identical effect; in Britain, so many things have gone wrong that it is misguided to attribute any feature of economic breakdown to a single cause. However, all the evidence from the United States shows that deregulation means the elimination of advanced terminal facilities capable of efficiently handling LTL shipments.

This is not merely what the American Trucking Association says will happen. That is what has happened. Two states, New Jersey and Delaware, have been deregulated for intrastate haulage long enough to bear examination. In both states, not one trucking company will accept less-than-truckload shipments in intrastate commerce. Deregulation has prevented the carriers from making the required investments in terminal facilities.

Again, the question is, who is being deregulated? Deregulaton means giving 100,000 semi-outlaws unrestricted access to every transport route in the country. That is why the American Trucking Association is so terrified of the deregulation plan. It is not a matter of whether individual companies stand to gain or lose; possibly, some of the larger carriers might gain at the expense of less efficient rivals. However, the industry as a whole—and its service to the public—would suffer. What industry spokesmen emphasize most often when they speak of deregulaton is the danger of pure chaos. After five years of high fuel prices and borderline existence, the independent truckers would leap into now-restricted markets like a pack of baboons inviting themselves to a church picnic. Under present conditions, the owner-operator must do business on terms set by the regulated carrier—at least during the daytime. To a great extent, he hires out to major carriers, in return for a percentage of the revenue on a specific haul. Deregulation would turn the tables. The independents would flood the most lucrative routes with lower bids.

In 1976, the American Trucking Association asked carriers what they thought would happen under deregulation. Asked whether a temporary rate war would break out, the carriers responded as follows:

Very likely	79.2 percent
Possible	17.8 percent
Unlikely	3.0 percent

Asked whether there would be eventual increases in shipping costs to consumers, the response was:

owned carriers of different modes necessarily requires the system to be guided by collective action subject, of course, to whatever degree of regulation may be necessary to protect the public interest.

No developed nation has ever denied itself a national system of transportation. The systems are either owned and operated by the government or created and managed by the cooperative action of privately owned carriers under governmental regulation....

Our concern is not that total deregulation would revive "the law of the jungle," or "cutthroat competition," or return the common carrier industry to its condition in the Great Depression. In passing on the extent of deregulation, our concern is that the public may not fully understand the necessity for retaining a national system of transportation. No such system could exist in the total absence of regulation because the antitrust laws would condemn the collective activities required to make it operable.

Savings inflated

The savings generally attributed to total deregulation are inflated if it is assumed that users of transportation will be protected to the same extent as consumers of goods and other services. If the industry were made fully subject to the antitrust laws and fair trade legislation, litigation in the courts and before the Federal Trade Commission could be costly, time consuming, and confusing, again assuming that the full range of consumer protection is to be accorded to transportation users.

Although we doubt that total deregulation would return the surface transportation industry to its condition in the 1930s, it should not be forgotten that the condition was appalling. A rail transportation system existed but it was debilitated and much of it in bankruptcy. No motor common carrier system existed in any meaningful sense.

Although we differ among ourselves on the optimum degree of economic regulation for surface transportation, we are unanimous in believing that a national transportation system must be preserved and that the Congress should address this issue as soon as possible. Neither the Commission nor the courts can revitalize the nation's surface transportation policy without Congressional guidance....

For almost a century, surface transportation has functioned as a

Very likely	75.1 percent
Possible	20.3 percent
Unlikely	4.6 percent

D. Daryl Wyckoff of Harvard University painstakingly gathered data on the independent truckers through thousands of questionaires; his published results provide the most accurate available profile of the independent truckers' operations.

According to Wyckoff, the independent trucker normally pays slightly over 5 percent of his total expenses to a broker who arranges a shipment of unregulated goods, such as agricultural produce. If the independent, who does not have authority to carry regulated goods, chooses to work on a rural route carrying exempt goods, his fee to the broker is quite low. However, if the independent contracts with a major carrier to carry regulated goods, he typically pays 25 percent and more of this total expenses in return for authorization to haul on a regulated route.

Why would the independent shell out one-quarter of his total expenses to work an ICC-regulated route, when finding exempt goods only costs 5 percent? The reason is that the major intercity routes are far more profitable than rural routes. This is the reason for the ICC's system of route authorization: to operate on the more profitable routes, a carrier must also agree to operate on the less profitable routes. Otherwise, the less profitable routes would get little or no service.

Although the big motor carriers do not report how much of their profits come from different types of routes—often, the same haul includes both intercity and less traveled areas—we can obtain a pretty good approximation of what the difference is. Wyckoff estimates that the independent will pay from 25 to 40 percent of his total expenditures to obtain temporary use of a route certificate, instead of a 5 percent fee for a broker who finds exempt commodities for shipment. This implies that hauls on the major intercity arteries are 20 to 35 percent more profitable.

That range is a good enough estimate for our purposes. What stands out is that the industry's total profit margin was only 16.4 percent in 1977. In other words, the industry's overall profit margin was *less* than its profit margin on the major intercity routes. (If the profit margin on these routes was not in the range of 25 to 40 percent, no independent trucker would go near them, for obvious reasons). Judging from these numbers, the regulated carriers often absorb a *loss* in hauls to rural routes in order to obtain the privilege of operating on the most profitable routes.

Now it is clear what deregulation would set loose. First of all, the independents would no longer have to pay for route authorization on the most profitable hauls. Since they are now paying over 25 percent when they contract out to regulated carriers, they could cut rates on such routes substantially—although only on full truckload deliveries. The regulated carriers would have no choice but to cut rates in tandem, eliminating the profit margin on the profit-making portion of their business.

The big question is, what will the destruction of the American system of regulated road transport—high wages combined with high capital investment—do to

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national system. In the beginning, it was sufficient to outlaw discrimination, to require just and reasonable rates, and to permit the railroads to satisfy those commands by collective action. When it became necessary to create a more highly integrated system, the Congress responded with the Transportation Act of 1920 to curb unnecessary expansion and to encourage rationalization of plant. When, for constitutional and for other reasons, the States proved unable to foster a national motor carrier system, the Congress enacted the Motor Carrier Act of 1935. Water carriers were recognized to be part of the national system by the Transportation Act of 1940, which also provided a charter for the fair and impartial regulation of the rail, motor and water modes.

A multi-modal system

That charter, called the National Transportation Policy, has served as the touchstone of regulation for 39 years. At the heart of the policy is the conviction that surface transportation should be regulated as a multimodal system, not as a horde of disconnected carrier enterprises. The 1940 Congressional declaration of the National Transportation Policy has as its sole objective: "To ensure the development, coordination, and preservation of a transportation system that meets the transportation needs of the United States...."

... The essential difference between common carriers and businesses not subject to economic regulation is that carriers must work within a system which serves all other businesses, regions, localities, ports and the traveling public, without discrimination and at reasonable rates. No transportation concept has won greater support than intermodalism; the idea that not only carriers but also modes of transportation should work together in forming a national system so that any commodity can be shipped from any point to any place by any means with a minimum of trouble and expense. For transportation the concept is sound, as shown by the remarkable growth of piggyback and other intermodal movements....

Balkanization of America

If carriers, subject to the supervision of the Commission, are denied the opportunity to consult, confer, and take collective action, the carriers will not be the principal losers. The

the nation's economy? Within months, the system of distribution terminals would begin to decay. Within a few years, the industry would be thrown back to the obsolescent condition of its British counterpart; the terminal system would cease to exist. Delivery time would increase several times over. A good rough measure of the rise in delivery times can be derived from the British example. After deregulation hit Britain, delivery time rose from about two and one-half days to four days for an average shipment. However, Britain's starting point was far inferior to the present-day American system of transport. The longest haul in the British Isles, London to Glasgow, is no farther than Los Angeles to San Francisco. "And if you can't make LA to Frisco an overnight run," stated a spokesman for a leading California carrier, "you're out of business." A much better comparison is West Germany's typical twenty-four hour delivery time and Britain's ninety-six hour delivery time. As American terminal facilities fold up for lack of maintenance, the delivery time of most goods will rise by a factor of four.

For an economy as advanced as that of the United States, a rise in delivery time from West German levels to British levels means a collapse of productivity. However it is measured—usually as output per man-hour—*productivity is a function of time*. The time it takes raw materials to become fabricated materials, or fabricated materials to move through an assembly line, or parts to move from one plant to another, or finished product to move to the wholesaler, or wholesale goods to move to the retailer, is the measure of the nation's productivity. There is not a single product of the U.S. economy that does not depend on motor carrier deliveries.

We can measure the increase in the time it takes a single commodity to move through the economic cycle of production and distribution, and see precisely what effect deregulation—the quadrupling of delivery time for road transport—will have on productivity. Then, using the LaRouche economic model, we can determine what effect the deregulation-caused decline in productivity will have on the nation's economy over the next several years.

Average delivery time by motor carrier in the United States is now approximately one and one-half days. Measured against the time that a commodity now spends in a manufacturer's inventory, a pretty good measure of the length of the production cycle, delivery time is an insignificant factor. Typical inventory time is now roughly 39 days, measured by the inventory-to-sales ratio. Delivery time adds only one-twentieth under the regulated system.

However, if delivery time increased by a factor of four, as we project under deregulation, delivery time would count for almost one-sixth of the length of the production cycle. That constitutes a staggering reduction of the nation's productivity. In the terms of the LaRouche economic model, each year, each section of the economy

yield one-sixth less surplus tangible product, that is, tangible output in excess of basic maintenance requirements. Each year, that much less output would be available for new investment, export, or improvement of living standards.

Is the projection of a fourfold increase in delivery time

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losers will be shippers who no longer have a voice in the ratemaking process; ports denied rate equalization; and producers of countless commodities who can no longer compete on the basis of price because of their inability to overcome local disadvantages. A fragmented national transportation network would lead toward the Balkanization of America. The barriers to commerce imposed by State boundaries, which the Founding Fathers leveled by the Commerce Clause of the Constitution, would reappear in the form of barriers raised against the free flow of goods from mode to mode and from carrier to carrier.

We recognize respectable arguments can be made both for tightening or for relaxing economic regulation of surface transportation. Total deregulation, however, poses the question whether the nation would be better served by a national system of surface transportation or by no system at all. A decision on a question of such import will not be durable unless it is made by Congress.

Nothing more clearly reveals loss of faith in a national transportation system than the proposal in the Railroad Deregulation Act of 1979 (S. 796) for a Railroad Transportation Policy as an exception to the present National Transportation Policy. If such an exception is sound, separate policy statements for the bus, trucking, water carrier, and freight forwarder industries followed by interment of the multi-modal National Transportation Policy would appear to be a logical extension. Secondly, the bill would split the rail system into its component parts by repealing the requirement for joint rates and by emasculating the conference method of rate-making. Hacking our national transportation system into thousands of disjointed members is a prescription for disaster. Once the system is dismantled, its rebuilding would be as difficult as construction of the Tower of Babel, and for the same reason.

In transportation, as in communication, the system is the solution.