Introduction

This book examines the causes and consequences both of regulating and of deregulating transport, telecommunication, trade and financial regimes. Its aim, simply stated, is to review methodologies appropriate for a practising political economist in general, and for a transport economist in particular.

However, the writing of it has taken me, unexpectedly, into many fields which I might once have considered remote from, or at best peripheral to, transport economics, and an unexpected unity has emerged among the several disciplines which interest me, revealing the underlying unity in human thought and endeavour.

As a professional economist, I initially set out to explain the deregulation of the transport modes in North America. The task appeared to be almost routine: another cataloguing of sequential events leading inevitably to a known conclusion. But, as I wrote, an unexpected dialectic emerged from the conditions of regulation and deregulation. The word 'regulation', as unremarkable at first as 'obedience' or 'law-abiding', began to take on a more significant, if not ominous, character. It slowly became apparent that, for these antithetical terms to be in any sense comprehensive, explanations had to address the question as to why, in the first place, regulation had occurred.

It seemed to me that the right to movement is as central to the concept of human freedom as are the right to think or the right to act. Freedom, in the truest sense, can only exist in the absence of regulatory restraint on movement. Therefore, a free man may be defined, not only as one who can think what he likes, do what he likes (within the law), but also as one who can go wherever he wishes, taking, if he so chooses, his goods with him. Indeed, to be free to move is to be as free as it is possible for a man to be. Every form of freedom, including freedom to trade, depends, therefore, on the freedom of movement.

But there is yet another dimension to the freedom of movement - the dimension of self-realisation, the liberation of the spirit into the varied and abundant realms of human experience. For many, movement that takes the form of travel is the most sublime of pleasures and experiences. Travel conjures memorable images and sensations whether the familiar or unfamiliar.
is glimpsed, perhaps breathlessly, in a blur through the windscreens of fast cars or lovingly surveyed through the carriage windows of slow steam locomotives. Travel is spatially liberating, life-affirming and life-enhancing.

While the movement of the individual is expressive of spatial liberation, commodities move in response to market exchanges. The movement of both people and of commodities has been influenced by attitudes towards the perceived effects of individual liberty, as well as by the perceived effects of the market process. There is an historical dimension to these notions. The vision and daring of the railroad entrepreneurs made them the true exemplars of the age of 

\textit{laissez-faire}. However, their exercise of unrestricted power was short-lived. Their opposition came from the proponents in the inherent conflict as to the efficacy and resulting distributive justice of unrestricted trading through the market process by business organisations. The resultant regulation of the railroads, which was to last about a century, signifies a divide between the dynamic era of 

\textit{laissez-faire}, from which the railroads emerged and were shaped, and the start of the era of mass industrial order that was steered by the state.

With these thoughts in mind, I re-defined my objectives. The task became that of considering explanations for the regulation and deregulation of transport modes in North America. This exercise involved outlining various hypotheses of regulatory change and then evaluating them by pitting their explanations against the observed historical events.

But observing historical events has consequences, for patterns emerge from such observation and stretch from era to era across decades, centuries and continents. I realised that the deregulation of domestic transport systems and the liberation of the international regulatory regimes were part of a shift towards what came to be described as globalisation. This process has attracted fierce debate and has sparked violent confrontations between the elites that are seen to be promoting this process and the protest movements that are themselves, thanks to the Internet, organised on a global scale.

Hugely disparate groups oppose globalisation. Some opponents see markets as encouraging selfishness and soul-destroying materialism. The market's cycles of creative destruction wipe out tradition and engender economic and social instabilities, while the uncoordinated pursuit of personal gain results in increasing commodification, reprehensible practices and tawdry societies. The removal of national barriers extends the reach of the market in such a way that communities are being linked, not by a supranational democratic process, but by market forces. The market is not democratic, for all folks don't have the same dollars to 'vote' with. Some are, accordingly, more equal than others. Furthermore, these market forces are allegedly destroying the environment, causing social unrest (as immigrants clash with indigenous groups), and exploiting the lives of
countless millions. The political elites are the target of the protestors because it is they who are seen to be tearing down their nations' remaining protective borders against the all-powerful, profit-driven, intrusive market process. These elites are deemed to be traitors to their own peoples, for they are responsive not to the needs and wants of the people they purport to represent but, it is claimed, to the captains of global capitalism. Indeed, to the protestors, it is a far from proven case that the majority of the world's voters actually want to be subjected to a rampant, materialistic, market order.

These are important and diverting issues that are examined in Chapter 3.

The immediate task to hand, however, was to explain the liberation of the international regulatory regimes of all those activities that were to constitute the global market-trade, telecommunications and finance. Again, hypotheses purporting to explain regulation and deregulation of international regimes were evaluated against the facts of history. Telecommunications, impacting on costs and the penetration of information, have greatly enhanced the co-ordinating capability of the global market.

It soon became clear to me that the hypotheses I had been examining were, in essence, explanations of the nature of the market process (or of capitalism) in its various forms or stages. The changes that I was studying constituted the transformation from what are sometimes described as mass industrial to post-industrial orders.

This led me to evaluate some of the theories of transformational change. Here I returned to the Newtonian universe of the neo-classical paradigm, to which I refer in the Preface, and found it wanting. History is predictable in this Newtonian world, for the return to equilibrium is inevitable. However, this is not so if the economy is complex, process-dependent, organic and evolving rather than deterministic and predictable. The 'mutations' of history could spin the system into chaos. I was reminded of Hick's observation, 'As economics pushes on beyond 'static,' it becomes less like science, and more like history.'

History and economics share a common subject matter and attempt to explain phenomena of human action within the context of societal interaction and the material world. If regularity in the examined phenomena cannot be expected in the near future, the two at least examine the same phenomena within the same time zone, the past. Historians, economists and physicists encounter the same difficulties in observing directly the phenomena under investigation. All three have deployed empirical testing. The implications of the posed theory are deducted and are interpreted as an explanation of the phenomena for which it is difficult, usually impossible, to account. Extending meaning to the correspondence between the tested phenomena and the actual manifestations of the phenomena has meant using the process of verification, i.e. confirmation by empirical observation of 'facts.' Stating the
implied tenet differently, if the hypotheses were invalid, then the explanation provided by the tests would not be confirmed. Hence, of necessity, if not of choice, historians and economists have engaged in validation rather than falsification of their explanations.\(^3\)

Schumpeter draws the line on candidate theories of economics in saying: ‘...when we succeed in finding a causal relation between two phenomena ...the one which plays the ‘causal’ role is non-economic.’\(^4\)

When economic hypotheses hit the economic bedrock identified by Schumpeter, they have to address the non-economic explanations of the four delineated exogenous parameters of tastes, technologies, endowments and rule structures. Put simply, the issues are: which, what form and to what extent are these parameters to be treated as endogenous? (The candidate hypotheses are introduced and compared in the first part of Chapter 4.)

In pursuing explanations, I journeyed backwards in time and into social as well as economic areas of enquiry. Here is a route guide:

Chapter 1 presents an interpretation of the role of transport in the economic development of the United States and Canada. The chapter focuses on the differences between the policies and institutions within which the transport systems of the respective countries in which they operated. It charts the entry and exit of transport regulation in the two countries by examining the regulatory changes that occurred. It provides, also, information on transport institutions and policies. The time frame of this chapter is the modern era, when the market order came to shape the emerging economies of North America.

The first part of Chapter 2 explores the formation of ideologies within the transforming, modernising societies of Western Europe and North America. These are then related, in the second part, to the containment and release of the market process and, in particular, to the formation and later disintegration of domestic and international regulatory regimes in transport, telecommunications, trade and finance. The emerging contemporary global economic system is described.

Kenneth Arrow, writing almost forty years ago about what could be described as the mass industrial economy of the United States with its orders of market exchanges, coercive collectivities and affirmative relationships, postulated an adaptive hypothesis. He suggested that when the market order fails, ‘society will recognise the gap, and non-market social institutions will arise attempting to bridge it.’\(^5\) Some have inferred that the global market is guided by the propensity for adaptation of the constituent societies. Others disagree, and suggest that this process is unstable and destructive.

Chapter 3 describes the results of deregulating the market constraining domestic and international regulatory regimes. The computerised and electronic communications systems have formed a set of interlocking
markets that have enabled almost instantaneous movement of information around the globe. The chapter proceeds to explore the contesting analyses concerning the stability or instability of this global market process and the various alternatives that have been proposed to contain the ensuing instabilities.

Chapter 4 reviews the contesting hypotheses concerning the stability or otherwise of the global market process, and subjects them to evaluations. At issue is the compatibility or otherwise of open international regimes. In part two, explanations of transformational or large-scale historical change are presented. In the third part, I examine the various contending theories of regulation while the fourth part contains an evaluation of explanations of the opening of international regulatory regimes that have contributed to the globalisation of the market process.

In the four Chapters that follow, I explore two approaches to transport economics, the engineering and the neo-institutional approach. The neo-classical price-engineering and the neo-institutional price theory shapes the engineering policies that are recommended for the transport sector. The engineer specifies the prices and quantities, as they would emerge under conditions of equilibrium, and then proceeds to appraise and implement policies according to the effect they allegedly elicit in equilibrium situations.

From these exercises emerge the often implicit forms of idealised orders. The neo-institutional approach is built upon a conceptualisation of property rights. The property regimes in the respective institutions are seen as providing individuals with incentives to discover, generate, exchange and act upon information. Individuals in institutions cannot be assumed, as they are in the neo-classical approach, to readily accept prices and taxes that purport to maximise welfare. Nor can the structure of institutions be changed without any regard to unintended effects.

Chapter 5 situates the respective transport policy prescriptions by highlighting their conceptual origins. In the first part of the chapter, the Pigouvian, or engineering approach to the 'transport problem' is examined. The concept of contestable markets is treated in part three, while parts four and five describe the comparative, neo-institutional approach. Chapters 6, 7 and 8 explore the implications of these varied approaches.

In Chapter 6 there is a comparison of the way in which the active deregulators of the US transportation system conceptualised the deregulatory process, and of the way in which they, and other analysts, have measured and interpreted the performance of the deregulated airline industry.

Chapter 7 examines and evaluates the prescriptions put forward to correct for the resource misallocation in the US air transportation system, while Chapter 8 examines the formation of policies with respect to the Canadian aviation system.
Chapter 9 compares and contrasts the engineering and the neo-institutional approaches that have been examined in the three previous chapters. The appropriateness - or otherwise - of contending approaches and theories were tested according to their explanatory powers. The results of this quest are outlined in the concluding Chapter 10.

Notes

1. Kauffman, for instance, has conceptualised the economy as a 'web of transformation of products and services among economic agents' that harbour 'internal endogenous forces which tend to autocatalystically drive an increase in the number of tasks, goods and services which fit into the growing web.' *The Economy as an Evolving Complex System*, Santa Fe Institute Studies in the Science of Complexity, 5, Redwood City, CA, p.126. Richard Day, in his review states that: 'Kauffman shows the beginnings of a theory that can illustrate economic evolution, its driving propensity to create new forms and to evolve ever more intricate interconnectivities through specialisation and exchange.' Day, Richard (1991), Book Review, *Journal of Economic Liberation*, 29(March), p.79.


