THE NEW ROLE OF THE STATE: REGULATION OR DEREGULATION?

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Deregulation is the process of removing restrictive regulations on regulated companies or public agencies. It describes a change through which many companies compete to offer products and services that previously, under regulation, were offered through just one government-controlled agency. As Adam Smith stated in The Wealth of Nations in 1776, market competition is the only form of organization, which can afford a large measure of freedom to the individual. By pursuing his own interest, he frequently promotes that of society more effectively than when he really intends to promote it. Thus, market competition can only obtained when the market is left unregulated. In other words, it tells the government "laissez-nous faire". But most importantly deregulation has been portrayed as a way to give consumers a broader choice of services and lower prices. As a matter of fact, deregulation is dismantling the legal and governmental restrictions on the operation of certain businesses. The main purpose of deregulation is to reduce the legal constraints on private participation in businesses and to create free unregulated markets inducing competition. In return, this would ensure economic growth by creating a private sector with consumer preferences and supplier opportunities. Jointly the market would allocate resources efficiently, achieve economies of scale and hence provide lower prices. Consequently, this allows for wider consumer choices and options supplied on a market basis. However, many authors believe that deregulation is a lessening of existing regulation of a given industry while maintaining that the public interest is served by continued government control, but to a lesser extent, of said industry. As a matter of fact, deregulation has at the same time many advantages against some disadvantages.

Deregulation: How it all began?

An economist view that supports deregulation is the "Laissez faire" theory. This doctrine evolved in the late 18th century due to the trade taxation and governmental control known as mercantilism. This view supports the capitalist's competition within the market and economy, and natural consumer preferences, which would create economic growth. The main criterion of this theory is the "invisible hand" i.e. competition, which is recognized as the economic regulator of a market, thus backing the concept of deregulation. However, this created ruthless monopolies that abused their position of power by raising rates. Consequently, population complaints grew and led government controls to be set and to public sector reforms. In late 19th century and early 20th century, economic regulation was focusing on regulating and restraining competition. As regulation gradually reached out to most sectors of the economy, the central rationale for regulation became predominantly one of concentrating on the evils of uncontrolled competition in trying to limit it. This anti-competitive sentiment, which was very strong before the 1930s, came about during the Great Depression. Indeed, most of the regulatory statutes that have been deregulated in recent years were enacted during that period. Until 1950, the lawyers carried out criticism of the regulatory system, and they were concerned mostly with the procedural rules of fairness.

During the 1950s, a new opposition emerged and it led to broad criticisms of regulation. Many economists such as John Meyer, Merton Peck called for less regulation in many industries in order to make them more productive. This political and social environment that favored deregulation prevailed during the 1960s and 1970s and was known as the social regulation, which was supported by the citizen's main concern on direct participatory democracy, on opposition to monopoly, and on suspicion of certain practices of big government.

On the other hand, the neo-liberal school of Chicago (Milton Friedman) emphasized the freedom of individuals to control their future. Individualism was its creed; collectivism its enemy. In economic policy, liberalism expressed itself as a reaction against government intervention in economic affairs. Liberals favored free competition at home and free trade among nations. They considered the organization of economic activity through free private enterprise operating in a competitive market as an expression of essential economic freedoms. Since the general interest was simply the interest of all the individuals composing the society, and these in turn would be furthered most effectively by economic liberalism, democracy could be expected to rid itself of the dead hand of government and to give maximum scope to the invisible hand of self-interest and competition. The tendency of regulation continued to be a major preoccupation until the mid-1970s. What happened in the mid-1970s to change this pattern? Following the oil crisis of 1973, inflation emerged as public enemy number one in the United States. Intense concern came out about the absence of productivity growth in the economy. Just as few years earlier the economy was so dynamic that any negative impact of regulation seemed minor, but no longer. The potential benefits of regulatory reform in this way became significant. Moreover, consumer movements started to push for less regulation. Among other reasons pushing for regulatory reforms figures:

-The inflation of regulatory texts (the continuous increase of their volume and their complexity) caused a movement tending to alleviate the load imposed by regulation on the enterprises that must sustain an increased competition on more and more open world markets;

-The technological innovations in financial matter and in the domain of the transportation and telecommunications, among others, make that number of old authorized arrangements passed today may hinder social and economic progress;

-Markets have created an economic interdependence due to the intensification of the world movements of goods and funds; unless to have resorts to protectionist measures, governments don't have another choice but to follow. As the OECD observes, that unless to succeed in potentially closing all circuits of international exchanges, governments will be forced to adapt to the international integration.

-The budgetary difficulties pushing governments to find means of savings;

Under the Presidency of Ronald Reagan, many restrictions on business activities were reduced. Reagan was a leader with a perspective and goal to reduce the role of the Federal Government in the economy for in his opinion the state was the problem. The former US president also considered that deregulation represented the second American Revolution: the one of freedom. The main reasons he faced in

1981 which led him to support deregulation were the growing unemployment rate, inflation, and heavy tax burdens on the citizens that led to economic depression. According to his philosophy, regulation and control by the Federal Government only slows down employment growth and innovation in a nation. Reagan’s goal was to implement policies that would stimulate economic growth and reduce taxes on incomes. Reagan persuaded Congress to deregulate many industries to allow businesses in return to reinvest in new areas in order to favor economic growth and political stability.

Thus, during late 1970s and through the 1980s, price and service regulation was removed almost in every industry. While maintaining some governmental supervision over safety and trying to prevent business abuses, price regulation was lifted in the securities and banking businesses, trucking, natural gas, and telecommunications industries. In most cases, competing industries introduced new services and lower prices to gain market share. The first major firm to be affected by deregulation was AT&T, the residential component of telecommunications industry, and more companies and industries were to be followed. The natural gas, electricity, Internet services, trail roads, and airlines also eventually became deregulated. Each industry had its reasons and revealed substantial benefits for consumers. In general, competition between service and utility providers ensures consumers to have a better chance of acquiring the most convenient product.

Deregulation as seen became a worldwide trend and most evident in the U.S and the U.K. In Germany, it was considered that the concept of a free and democratic society is not compatible with an excessive regulation. All in all, also due to the public service’s inability to reform the economy in terms of size and inefficiency the state would deregulate its industries and monopolies.

In Britain, under Prime Minister Margaret Thatcher, the economy was in a deep recession and high unemployment rate. When Thatcher took office in 1979, about 1,200,000 people were seeking jobs and increased to 3,346,198 by September 1985. Thus, Thatcher emphasized on deregulating businesses and wage restraints as a solution necessary to create jobs, decrease inflation, and unemployment rate. The British Government sold nationalized industries to the private sector. The telephone system came first, then gas supply, national airports (1987), and later on electricity, water supply, telecommunications etc...Deregulation was often achieved through privatization. In fact, privatization is the conversion of businesses from government ownership to private property. This means denationalization of a certain industry and allowing the private sector to own and perform activities and functions of a service previously owned by government bodies. through divesture of state owned enterprises.

Deregulation in Telecommunications

The deregulation of telecommunications in the United States

In 1934, the U.S. government created the Federal Communications Commission (FCC) to regulate the increasing use of the broadcast spectrum. The FCC licenses broadcasters and regulates the location and transmitting strength, or range, stations have in an effort to prevent interference from nearby signals. Before 1984, there was one giant phone company- i.e. ATT, in the United States that handled all the telecommunication market. The U.S. Department of Justice filed an antitrust lawsuit against AT&T Corporation, arguing that the company used its monopoly position to suppress competition, particularly through its control over local telephone service facilities. The lawsuit was settled in 1982, and AT&T agreed to disperse its local telephone companies, thereby creating seven new independent companies. It was the first time most Americans could choose phone companies: actually buy phone equipment and pick long-distance service. The AT&T breakup led to an increase in technical innovation. (Fax machines using the telephone, speed dialing and call waiting etc.).

In 1996 the U.S. government enacted the Telecommunications Reform Act to further encourage competition in the telecommunications marketplace. This legislation removed government rules preventing local and long-distance phone companies, cable television operators, broadcasters, and wireless services from directly competing with one another. The new law allowed long-distance and cable TV operators to offer local phone service immediately. In turn, local phone monopolies were allowed to offer cable TV and long-distance service outside their home region immediately. Throughout the 1980s, the telecommunications boom focused on the business of transmitting voice. A World Wide Web was developed. The Web linked information in various servers and allowed it to be viewed graphically. The battle to sell Internet access and data services became fierce. In fact, to guarantee a strong global information infrastructure policy makers and regulators are implementing policies that preserve a liberal access to the Internet, promote competition by removing barriers to entry, support innovation and investment in advanced technologies, and letting market forces and competition lead.

At the same time the courts were breaking up AT&T's long- distance monopoly, the FCC was breaking up Bell Labs' monopoly on cellular phone technology. Under development since 1947, Cell phone technology became commercially viable in the mid-1980s: The FCC finally decided to license out more radio spectrum for this purpose.

The telecommunications sector in Europe

The European Union (EU) is planning for the deregulation of its telecommunications industry. The European Union (EU) has agreed to end monopolies in each country and to allow outsiders into the industry. Regulated monopolies in European telecommunications markets created in the past a public telecom operator (TCO) in each country. Major TCO's include Deutsche Telecom, France Telecom, PTT Netherlands and British Telecom.

The deregulation of the European telecom business is gradual, partial privatization for businesses, being now in place. While voice-based communications have been protected from competition, leased lines for data transmission have been an open market. A recent study carried on by the Organization for Economic Cooperation and Development (OECD) demonstrated that dial-up charges for online access are nearly three times higher in a market where the PTO has a monopoly. This is due, mostly, to the local fee structure. Throughout Europe, local calls are not free of charge. The price of local calls is thus a significant part of dialing. The OECD study showed that leased-line markets are 44 percent higher in countries with a monopoly than in open markets. France is a good example of the impact of telecommunication deregulation will have on basic consumer access. In 1993, France Telecom decided to change the local call tariff, in which the basic unit was reduced from 6 minutes to 3 minutes. The change has not dealt a major set back to telephone usage, but the OECD noted that it has doubled the bill for a 'basic' Internet user-an annual increase from $339 to $678. As a result, the Internet, as a source of ideas and information exchange, has not attracted a broad public in France, in contrast to other European countries such as Germany or Britain.

Telecommunications in the UK

Britain has one of the worlds most technologically advanced telecommunications systems. British Telecommunications (BT), which once had a monopoly on telephone service, was privatized in 1984. The telecommunications market is growing rapidly, with companies offering new services such as mobile communications, overseas wireless and cable, and cable television. The Office of Telecommunications (OFTEL), a government department headed by the Director General of Telecommunications, regulates the industry. OFTEL promotes competition within the telecommunications market, makes sure companies abide by regulations, and investigates complaints.

Deregulation of Postal services

The process of globalization increasingly affects the postal service market, like every other major industry. Increasingly post offices are competing across borders and many postal administrations from industrialized countries are working with the World Bank to reorganize post offices in developing countries. Unfortunately, many countries are being forced to privatize and deregulate their postal services in order to obtain the investment capital they need.

Currently, Postal administrations all over the world are struggling with this new international environment. For example, in Britain, deregulation of the industry is being considered. Although the British law prohibits regulatory changes that threaten universal service at a uniform tariff, Postcom, the agency that regulates the Post Office in Britain, has published a discussion paper outlining the options for injecting competition in the U.K. postal market. In Germany postal monopoly is kept. As the debate over postal regulation in the European Union takes place, the German Bundestag has decided against repealing its postal monopoly in 2003 as originally planned. It passed a law to extend the monopoly until at least 2007. France also is reluctant to deregulate it Postal public agency, PTT a long-term established organization with thousands of employees.

Deregulation of United Stages gas market

Deregulation of US gas market

In 1938, the national gas act (NGA) created the Federal Power Commission (FPC) to regulate natural gas pipelines. In 1954, the Supreme Court ruled that the NGA should encompass the regulation of both pipelines and wellhead prices. This was known as the Phillip's Decision, and the court held that the primary aim of the NGA was the protection of consumers against exploitation at the hands of natural gas companies. This created an industry structure that consisted of price-regulated gas producers, who sold to price-regulated pipelines, who in turn sold gas on to local distribution companies (LCDs). LCDs then sold the gas to end-users. The Phillip's Decision reduced price instability, but it ultimately caused supply shortages for it encouraged consumers to buy relatively cheap fuel but did not give any incentive to producers to renew reserves.

In 1978, the natural gas policy act was introduced. The Federal Energy Regulatory Commission (FERC) was created in replacement of the FPC and was intended for reviewing natural gas pricing. This was a reversal of the Phillip's decision as it allowed the deregulation of wellhead gas prices. Production increased dramatically in response to market demand, which led to a gas surplus in the 1980s. However, a competitive market failed to develop, mainly due to the role pipelines played in the market. Since pipelines charged consumers enough to cover the cost of what they had to pay producers, there was no incentive for them to choose the most competitively priced gas produced.

The establishment of gas market firms was also another immediate result of deregulation. These firms provided an intermediary service between a gas buyer and all other industry segments. In 1989, the Natural Gas Wellhead Decontrol Act completed the process of deregulating wellhead prices. It required the removal of all price controls on wellhead sales as of January 1, 1993, allowing natural gas prices to be freely set in the market. In 1992, the Restructuring Rule resulted in major restructuring of interstate pipeline operations. The new rules separated sales from transportation services, so that customers could select supply and transportation services from any competitor in any quantity. Consumers were able to negotiate the best conditions for supply and transportation to their site and simultaneously negotiate better terms in other markets. The deregulation of the US gas industry has been extremely successful - production has increased, gas usage is increasing and consumer prices have dropped significantly.

Natural Gas deregulation in the U.K.

By June 1998 all mains gas customers anywhere in the UK were able to purchase gas from any number of suppliers. This stage of gas deregulation brings real choice to consumers in the domestic and small business markets. Market penetration was reported to be around 28.6% by September 2000.

Deregulation of the electric utility sector

Deregulation of electricity in the U.S.

Historically, electricity service has been defined as a traditional monopoly. As a result, the Holding Company Act of 1935 (PUHCA) and the Federal Power Act (FPA) were adopted to get rid of unfair practices and other misuse by electricity and gas holding companies by requiring federal control and regulation of interstate public utility holding companies. Prior to PUHCA, electricity holding companies were characterized as having disproportionate consumer rates, and unreliable service. PUHCA remained virtually unchanged for 50 years until adoption of the Public Utility Regulatory Policies Act of 1978. At the state level, Congress passed the National Energy Policy Act of 1992 aimed at breaking up the monopoly structure of electric power generation. The reasons for this act were the high costs induced and the need to obtain better prices for consumers. Thus, utilities would be also unbundled into different transmission, distribution, energy service entities as well as the creation of regional companies such as an independent system operator to manage transmission access, and power exchange that will operate as a financial exchange.

The electric utility industry has been in the process of transformation. During the past two decades, there has been a major change in direction concerning generation. First, improved technologies have reduced the cost of generating electricity as well as the size of generating facilities that can be brought online more quickly and cheaply, with fewer regulatory barriers. Latest changes in electric utility regulation and improved technologies have allowed additional generating capacity to be provided by independent firms rather than utilities.

The Energy Policy Act of 1992 (EPACT) removed several regulatory barriers to entry into electricity generation to increase competition of electricity supply. Specifically, EPACT provides for the creation of new entities, called "exempt wholesale generators" (EWGs), that can generate and sell electricity at wholesale without being regulated as utilities under PUHCA. Currently, many states have moved toward retail wheeling.

As a matter of fact, the deregulation of the electricity utility sector would have the following impacts:

a-Create incentives for managerial performance because they would be worried for their profits and results so would aim to reduce costs and invest in profitable activities to achieve efficiency.

b-Plant size would be optimal because managers would be encouraged to choose the best technology and locate the most optimal and efficient size and location.

c-The location of plants would thus be confined to geographic regions most suitable for the growth and sustainability of the industry by minimizing costs of construction, operation, and transmission.

d- Firms would be induced to explore, examine and adopt new transmission techniques, plant locations and consider new technologies in order to keep up to date with the progress of competitors and the whole industry as not to fall behind. For improvement in the quality of service is essential because frequent service interruptions would result in the loss of contracts.

Deregulation of electricity in the U.K:

Within a year (by September 1999), the electricity market was fully deregulated in the UK. As a result any business or residential customer in Britain can choose to buy their electricity from a variety of different suppliers. The suppliers include many competitors such as British Gas, direct sellers, finance companies, etc.

For customers in this fully deregulated market, pricing is determined broadly by profiles, which allow standardization and comparison between differing tariff structures. Profiles depend on type of meter and load for Maximum Demand customers. Most residential customers fall into one of two profiles depending on whether night units are measured or not. The meter point administration number indicates profile and host supplier and should be sent to customers. Competition began as of September 1998 with 750,000 domestic and small business customers. Recently, France opposed complete deregulation of its electricity market and was able to convince the European Union to postpone the deregulation of electricity industry until 1903.

Deregulation of the transport sector

Historically, in the Western world, transport stipulations have passed through three phases. Initially, transport suppliers were private companies whose activities were subject to numerous controls imposed by the public authorities. As the twentieth century moved forward, transport activities were progressively brought under public ownership and control. Most recently, from the late 1970s onwards, many transport activities have been returned to private companies through privatization. However, whether public enterprises or private sector companies provide transport services, their activities are invariably regulated by a codified set of rules and other restrictions, which restrict the freedom of businesses to engage as they see fit in economic activities.

The actual processes of deregulation are many and dependent on the transport mode and market in question. A local city bus service in a developing country will clearly adopt very different deregulatory measures from the international civil aviation industry. Even within the same transport mode, such as railways, deregulation has ranged from total privatization with track and rolling stock sold to private companies (i.e. New Zealand and Britain), granting concessions to private companies on a long-term basis to operate rolling stock and/or maintain the track (which is still owned by the State) (i.e. Latin America and Africa), a regionalization of operations where control shifts from central to local government, and commercialization where the State retains ownership but commercial operating principles are adopted. Finally, throughout the transport industries of the world, deregulation is expanding to reflect the new requirements of Globalization and competitiveness.

Deregulation of Airline Industry:

After World War 1 less than 6000 passengers traveled a year by air. By the 1930's four big airlines dominated the airline industry: Eastern, United, American, and Trans World Airlines. They had the exclusive rights given by the Federal Government to fly domestic routes and Pan American had the rights to international routes. However, these companies didn't face severe competition until deregulation in 1978.

In October 1978, U.S. Congress approved the Airline Deregulation Act ending the monopolies held by the big 5 companies. The main objective of this deregulation was to promote competition within the industry with unrestricted rights to enter new routes and could increase or decrease fares freely. The immediate effect of deregulation was a drop in fares and an increase in passengers. The large companies lowered their fares as well in order to face the competition and to fill their planes. However, competitive price wars had a negative effect, not expected by regulators, by forcing small companies out the industry because they could not sustain in lowering fares more. Hence, companies were exiting the market instead of competing. This in return would allow passengers benefit from the low fares a while but then the competitive effect would fade away when a few companies would again dominate the market. Also, large carriers began to abandon the practice of crisscrossing the continent and developed a new schedule that made most of their flights a central point or a hub. The increase in passengers made airlines realize the need for a more efficient way to book reservations and issue tickets. This enhanced the computer reservation systems. Furthermore, the large airlines founded frequent flier programs, which awarded free tickets to travelers after they traveled a certain number of miles with that company. All of these offers made the big airlines invincible in the market. After deregulation the number of passengers that traveled rose from 275 million in 1978 to 600 million in 1997, and fares are 37% cheaper today than they were before.

On the other hand, one major problem of deregulation that would lead up to damage is that fierce competition has forced airlines to cut costs, which result in safety decline. The carriers, hence, created dangers because deregulation forced them to operate without a financial safeguard. Some advocates of deregulation are now demanding limited governmental control to ensure safety for passengers.

International service remains regulated throughout bilateral agreements between states. These agreements include price restrictions and limitations on what carriers can carry out on ground. However, the international air service is slowly getting less restrictive. In early 1990's for example, the U.S. negotiated open sky bilateral agreements with a number of European nations with no restrictions on service levels or pricing. In addition, all countries members of the European Union have agreed to lift restrictions on all air travel between and within their countries.

Deregulation of Railways in the US and Britain

The US government has regulated railroads since 1887. Regulation continues to stand in the face of railroads to compete freely: shippers declare that they are still captives of the railroads. Regulation prevents them from benefiting where they have a competitive advantage and coerce them to carry goods at rates less than the market could bear. The Administration implements regulations that limit the ability of railroads to compete efficiently. The Interstate Commerce Commission (ICC) still heads the rail industry and subjects it to limits on abandonment, mergers (unions), labor usage, ownership of other modes, and even on pricing. It can also require one railroad to provide access over its lines to another railroad in order to facilitate competition. Railroads must seek permission of the ICC to abandon lines, build new track or sell any service. Consequently, it will limit the ability of the railroad to improve productivity, and achieve economies, as well as sets higher costs that are paid or bared by the shippers and the consumers. Moreover, in the recent years Congress has legalized individual contracts between shippers and rail carriers. The Staggers Act of 1980 authorizes railroads to price their services freely unless it has market dominance. Once the deregulatory process finished, the ICC should not survive any longer. In the UK, the deregulation of the railways industry was introduced. Still, the British government had to step in and decide to rehabilitate railways infrastructure due to many accidents that occurred since privatization due to inefficient maintenance service.

Deregulation is becoming a Global Trend

Because the various service and utility monopolies were abusing their positions of power and since consumers were fed up with these monopolies, they started complaining to government bodies, and since governments were slow to act and companies were hesitant to improve their customer relations, deregulation became a worldwide a need. While each utility or service became deregulated, competition among these service and utility suppliers ensured that consumers had a better opportunity of getting the most suitable service at the lowest charge possible.

There are several underlying principles that support the trend of deregulation and make it advantageous, and at times even a necessity. These reasons are linked to the factor of increased competition, which as a result leads to a lot of benefits and advantages specifically for end users

In fact, regulation suffers from several serious inconveniences: - Regulation is often too uniform and doesn't take in consideration the differences of conditions and capacities. While forcing all entities to behave in the same way, whatever the circumstances are, it can considerably increase the costs of the regulation's implementation;

- Regulation is too rigid to progressively adapt to new situations and new technologies. In fact, it risks aggravating the problems by blocking the economic and technological progress specially in countries where competitiveness and structural adjustment are essential to maintain the quality of life facing an opened world market. Legislations that block innovation can be very expensive in terms of growth and jobs. A good example is that of the efforts, which are currently under way in Europe to put in place an "information superhighway" and to reduce the costs of telecommunications, which many consider indispensable if the European industries seek to face the foreign competition. As a matter of fact, national regulation of telecommunications has been identified as a considerable obstacle to progress; - Regulation is often inefficient because it concentrates on the means more than the results. The controlled entities and the civil servants end up spending most of their time observing the details of regulations rather than reaching their objectives.

- Regulation is suitable to some abusive exploitation on behalf of producers' groups and other commercial interests that attempt to divert to their profit regulations and norms, the details of application, etc.

Governments became aware of the fact that the reform doesn't consist merely in improving the innumerable existing regulations, although this is an important task, which have been pursued for a longtime. In brief, regulation is static and a good intervention instrument in terms of means at a time the economy requires dynamic instruments oriented toward results. To avoid these problems, many governments undertook to complete their regulations by a large range of innovative instruments. These innovative approaches can be more efficient, less expensive or more flexible (and sometimes the three at a time) than strict regulations. Several other solutions are considered in the countries of the OECD including: the obligatory communication of information; economic stimulation, negotiable property rights, voluntary agreements, auto regulation, responsibility based on risk, and the performances' reference.

As a matter of fact, increased competition specifically leads to the following:

First and foremost, competition helps prevent monopolistic control over utilities and services, which in turn bring about a guarantee of lower prices for consumers.

In addition, the contest between the different providers also gives rise to the creation of new innovative services that might better address the needs of the diverse buyers. In order to keep their consumer bases and to attract new customers suppliers will need to innovate in order to provide a variety of service options from which the consumers are able to choose.

For the same reasons mentioned above, service companies will also have to ensure superior service; otherwise they will be loosing a lot of business.

Finally, deregulation provides the opportunity for entrepreneurs who have new ideas that can be further extended to create new valuable services.

This guarantee of lower prices, increased and superior service options and an end to monopolistic control makes the deregulation of utilities and services very advantageous.

In summary, deregulation creates the opportunity for more competition to enter the market. When markets become exceedingly competitive, consumers can choose the best provider for their specific needs. Usually, a highly competitive market guarantees lower costs to the end user besides making available several new and improved services.

Dangers of Deregulation

For the purpose of providing a fair and unbiased view of deregulation, in addition to the opportunities and advantages in favor of this movement, the dangers accompanying this process should be mentioned, as well.

The greatest fear of deregulation of utilities and services has to do with the failure or malfunctioning of the service concerned. Thus, under public ownership there were numerous examples of state transport operators who experienced rising costs and falling revenue. The consequent pressure on public finances often led to insufficient investment as public funds were used for revenue support rather than capital expenditure. Deregulation and privatization were anticipated to alleviate such problems, with competition and private ownership leading to lower costs and fares, higher productivity and service levels, service innovation and greater levels of investment. Whether such benefits have been delivered is a question fiercely contested by proponents and critics of deregulation, and conclusive empirical evidence is surprisingly difficult to come by. A good example is provided by the United States civil aviation industry. Many accounts claim that liberalization of domestic air transport in 1978 produced considerable net social benefits. In fact, airline deregulation in the United States led to a concentration of ownership and operations. By 1990, the eight largest United States carriers held 94 per cent of the domestic passenger market and controlled almost all the major hub airports. On the other hand, rail deregulation in 1980 produced a similar outcome, with the seven major carriers handling well over 80 per cent of industry freight a decade later. Over the same period, railroads abandoned services to over 1,200 small towns, which adversely affected businesses and employment in these locations (especially as these towns were often also abandoned by road and air services).

Also due to the reason of increased competition, small suppliers may go bankrupt. Specifically since a highly competitive markets are usually more in favor of large solid players, which can put the smaller ones at risk of losing their businesses.

In addition, small firms may be overwhelmed in their rivalry against the bigger more solid ones. It is evident that it is hard to compete against huge corporations that have several opportunities over smaller less competitive ones. Especially that larger firms have several opportunities such as the ability to spend more funds on research and development as well as the capability of spreading huge fixed costs over large quantities of output. For example, on February 8, 1996, President Clinton signed into law the Telecommunications Act of 1996. The legislation was publicized as including reforms needed to truly open competition and get the wonders of the Internet out to every American home. However, it was criticized because it benefited only large companies and pushed small companies out of the market. Moreover, since not all companies are very qualified in the specific fields that they are embarking on, the clients of such businesses may receive services of poor quality or not up to the expected standards.

On the other hand, the increased opportunities and options from which consumers are able to choose could be so vast and diverse that the choosing among them may become confusing.

Additionally, and also due to the fact of open competition, unscrupulous and corrupt operators may exist in the market. There is a need for a kind of ethical control on deregulated utilities. For example, the impact of the explosive growth of new communications technologies over the past two decades has been a dramatic disruption of traditional business practices in the industry. The Internet is the most pertinent example. What is required is not just a governmental effort, rather the commitment of the international community into introducing an international coherent and effective deregulation that encompasses those new emerging sectors, mainly through the World Trade Organization. As a matter of fact, the difficulty is that we are in presence of fast growing network architecture and no architect.

In this framework, the European Commission has prepared a draft directive to help EU's member states regulate Internet data according to their own national legislations, including children's protection, racial discrimination, and copyright issues. Germany was the first European country to consider comprehensive digital laws-from copyright protection and digital authentication, to regulation of racist and pedophile propaganda. The United Kingdom has created a private organization of local ISPs, the Internet Watch Foundation (IWF), to monitor illicit content. The Netherlands has also taken steps to regulate content, using the same kind of ISP professional panel. Moreover, the French Telecom Minister submitted a proposal for an ‘international Charter of good conduct’ to the OECD’s Council of Ministers as well the creation of a “Conseil de l’Internet”, modeled on the British IWF.

Yet it is important to mention that State national or local agencies ultimately oversees each utility or service. These agencies usually require substantial proof of financial stability from any potential service provider before the service provider becomes licensed to conduct business in any particular area. In fact, no process is ever achieved without some dangers that have to be overcome.

CONCLUSION

Strictly speaking, the term “deregulation” is a misnomer: deregulation does not signal the end of regulation, especially in crucial areas of transport such as safety, and deregulatory measures are invariably accompanied by new and often more explicit regulatory structures. In the United Kingdom, for example, following the privatization of public utilities the State established more effective control over some aspects of these industries than the previous indifference associated with nationalization. In many cases deregulation signals a change of emphasis between structure and conduct regulation, or a functional separation of ownership, operation and regulation. For example, the State may continue to own a particular transport service (as the principal shareholder) but a private company now runs the operation on a commercial basis. Alternatively, both ownership and operations may be transferred to the private sector but regulatory powers are retained under state control (either directly under a government department, or under an independent regulatory authority). Throughout the world there has been a shift from nationalization to commercialization and privatization in the provision of transport services, which implies a decline in state provision but continued (state) regulation. An industry without regulation is simply an illusion.

However, at the same time, there now appears to be a growing recognition on the part of many governments and international agencies, including the World Bank, of the need for a more careful and considered approach to deregulation, recognizing the interaction of product and labor markets and in some cases the impropriety of re-regulation.

In fact, the management and the reform of the regulation are more difficult today than ever because governments don't act anymore in an isolated system: globalization and decentralization have a very marked impact on the means used by authorities. More and more, governments must act in a concerted way to solve economic, environmental and social problems.

In the contemporary world, one of the biggest challenges, for public authorities, consists of putting in place the institutions and democratic procedure through which they can act in a climate of self-confidence in order to benefit from the advantages of deregulation. On the other hand, centralizing the management of the regulation goes in opposition with the current of decentralization that characterized the public management's reform in so many other domains.

In brief, the administration old formula—hierarchy, vertical, uniform and solidly rooted in the structures of the nation-state—is not appropriated for a system of multiple levels characterized by complex overlapping between action, diversity and innovation. The spiny problems inherent to the processes of long-term change, currently in progress, require innovative answers on the institutional level. It is necessary to address clearly and decisively such preoccupations if we want the public to admit such policies. Governments must attempt to solve several essential managerial problems. In order to efficiently collaborate in this new deregulated environment, national governments must improve their capacity to manage complexity. Intergovernmental cooperation is often considered as a process tending to reduce the differences between the regulations and to harmonize the different approaches. Actually, it tends to increase the administration's complexity by introducing multiple procedures, and by surrounding the results of new uncertainties by considerably increasing the volume of the regulation and its detailed degree. As a matter of fact, studies demonstrate that it is not possible to apply innovative approaches without carefully taking in consideration the institutional context. In fact, if the institutions responsible for the implementation are not encouraged in the desired direction, the result can go in opposition to the sought after goal. For example, a survey on the system of royalties on waters' pollution in Denmark showed that the local administrations were not encouraged to reduce the waters' pollution, but rather to increase it so it absorbs their investments in purification facilities. There is a large agreement on the fact that governments must strengthen the systematic and transparent processes of decision making which allows the use of intervention's instruments in a more clever and innovative manner so that the public intervention or policy come out with more efficient results. The question becomes highly political since pressure groups try stubbornly to protect "their" regulations. It is simply about asking the persons responsible of the regulation to consider other approaches: what is necessary, is to thoroughly reconsider the "logic of the decision making" in order to improve the way through which problems are defined, and stimulate a larger vision of the government's role within the society.

It appears urgent to formulate a set of politically realistic principles which governments can adapt to the new international as well as national environment. The link between these principles should be balanced, that means the balance between stability and adaptation to the new circumstances, between cooperation and sovereignty, between new processes of decision-making and responsibilities in front of the parliaments and the citizens, and between complex agreements and transparency of the administration. Better information is necessary for the dynamics and the effects of a multilevel regulation system. The efforts of cooperation must correspond to the national policies of regulation or deregulation. As a matter of fact, privatization when structured correctly yields substantial and enduring benefits. On the other hand, consolidation and mergers was the trend accompanied by deregulation. It is important to make sure that this situation will not produce a counter effect desired by regulations through increasing of monopoles.

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