Does Economic Deregulation Deliver?

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Does Deregulation Deliver?: An Inquiry into the Art of Economic Persuasion

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Although food prices, like most consumer goods, have risen in price over time, the U.S. Department of Agriculture has found that Americans' share of income devoted to food, per capita, has decreased compared to our grandparents' generation. Economists and researchers attribute this decline in the proportion of household income devoted to food to a variety of causes, from consumer change in diet to a decrease in food exports and lower transportation costs. The 1980 Motor Carrier Act, signed into law by President Jimmy Carter, deregulated the trucking industry. The promise of cheaper food and consumer goods played an important role in selling deregulation to the public.

Deregulation, the rolling back or elimination of regulations to increase the number of buyers and sellers, is said to help businesses make more money and to make products cheaper for consumers. In a deregulated market, the government is less involved in the product's production and consumption. Regulation manages market participation by setting standards. This might mean determining how products can be produced, marketed, and sold, as well as who is allowed to buy them. Regulation decreases the number of buyers and sellers in the market. Regulation is often said to protect employees, customers, the public, and the environment (e.g., seatbelts, unleaded gasoline, the FDA).

Economic Literacy, Reasoning and Rhetoric

In this inquiry, students analyze and evaluate economic rhetoric related to deregulation through arguments for and against...
the Motor Carrier Act of 1980 (MCA). The aim is to help students become better, more informed consumers of economic policies. American consumers tend to be enamored with low prices, but labor also fetches a price on the market. Consumers often attribute low prices on consumer goods (e.g., gasoline, groceries) to effective governance; and, therefore, politicians campaign on their ability to deliver them.

Learning to analyze economic speech and evaluate its claims is a key component of informed citizenship. The ubiquity of rhetoric in policy discussions demands citizenship skills outlined by the C3 Framework. This inquiry develops these skills by challenging students to recognize societal problems, develop robust investigations, consider problems and solutions, ask good questions, and separate evidence-based claims from opinions.²

The MCA makes a good case study because its outcomes are mostly undisputed. For example, those for and against deregulation acknowledge that truck drivers’ wages and union membership have declined since 1980 and that the number of drivers has increased. Whether union membership decline is good or bad depends on one’s perspective. By 1990, the number of new trucking firms doubled, and the number of drivers and routes increased. But drivers have paid the price for these lower transportation costs.³

According to Bureau of Labor Statistics wage figures, in 1976 truck drivers earned on average about $17,700,⁴ which translates to buying power of just over $80,000 in 2020.⁵ By 2020, truck drivers averaged $48,710 per year.⁶ Food insecurity and hunger in the U.S. further complicates the issue. An increase in
the price of food disproportionately affects the most vulnerable. Low-income families already spend 36% of their income on food as opposed to 8% for those in the highest income brackets. Truck drivers can also be among the food insecure. American trucking industry exposés contain stories about truck drivers, especially those classified as “independent contractors” skipping meals and relying on empty calories due to low take-home pay. With 3.5 million employed, trucking is one of the largest occupations in the U.S. Trucks and their drivers share our roadways as they deliver nearly all the nation’s food and consumer goods.

Investigation
This middle grade lesson is framed around the compelling question, How are people persuaded to support an economic policy? The lesson targets middle grades C3 standards in economics and civics related to economic and public policy issues and their effects on different groups, the role of personal interests and perspectives on decision making, the assessment of public policy initiatives to solve social problems, supply and demand, and the influence of public and private institutions including labor unions. (D2.Eco.2.6-8, D2.Eco.4.6-8, D2.Eco.9.6-8; D2.Civ.10.6-8, D2.Civ.12.6-8, D2.Civ.13.6-8)

Rules, Regulations and the Costs of Compliance
To introduce regulation, engage students in a discussion about the purpose of rules. Begin by asking students to name the rules that had to be followed that morning between waking up at home and sitting in the classroom. For example, car riders are required to wear seatbelts; the car drivers had to pass a test. School bus drivers had to earn a special operating license. Both had to follow speed limits. Students consumed food inspected by the Food and Drug Administration and were greeted by a teacher who had to earn special credentials. Discuss why those rules are in place and what would happen if they were not.

Then, consider the costs of these rules for both producers and consumers. For example, it costs car manufacturers money to install seat belts and other safety features, to make their cars more fuel efficient, and to crash test them. The producer then passes that cost on to the consumer. Fewer regulations might make automobiles cheaper to make and own, but possibly at the driver’s peril. These costs make starting new companies more difficult.

These thought exercises should help students see how federal regulations operate in their daily lives. Teachers can then ask students for examples of deregulation. This might be difficult for students. This is because regulations are much more visible; whereas the effects of deregulation are likely to show up gradually, albeit with a larger, widespread impact (e.g., air pollution). This may be one reason why it is easier to convince people to support deregulation than regulation. Furthermore, arguments for deregulation appeal to concepts such as fairness and freedom that sound good and are difficult to argue against.

Vocabulary and Background
Review key vocabulary words and background with students.

- **Regulation** refers to the rules or restrictions established by a government or agency that determines how products can be produced, marketed, and sold.
- **Deregulation** is the roll back or elimination of government power over an industry. Less regulation means less rules.
- An **entrepreneur** is a person who starts a business.
- The **Interstate Commerce Act**, signed into law by Grover Cleveland in 1887, was designed to regulate the transit of goods and services across the U.S. It was enacted in response to public discontent and pressure from labor advocacy groups (unions) regarding the railroad industry’s profiteering from its monopolies over shipping routes. Farmers and other interest groups complained that the railroad rates were excessively high due to lack of competition. The Interstate Commerce Commission (ICC) was born of the Interstate Commerce Act.
Background. By 1910, Congress granted the ICC the authority to manage rates, profits, and mergers for ferries, bridges, railroads, trucking, pipelines, and terminal facilities. In the early twentieth century, "a driver’s license and a down payment on a truck were all it took to get into the industry." Entering the market was too easy. Regulations were necessary for quality and safety and came about in response to the overall popularity of motor vehicles and the lack of rules or driver qualifications in the early days. Regulations helped limit the number of drivers on the roads. Some of this pressure to regulate trucking came from railroad companies, who were losing shipping contracts to trucks. Trucks, they argued, had an unfair advantage because they drove on roads paid for by the public and, unlike railroads, were highly deregulated.

Deregulation has steadily remained on the American political menu since the 1970s. The most expensive lobbying campaign in history concerned deregulation. In November 2020, Californians voted on Proposition 22, a bill that would reclassify app-based gig workers as non-employees. The deregulation measure would exempt companies like Uber, DoorDash, and Lyft from complying with many of the state’s labor laws. Almost immediately after it was passed, major news outlets such as the Guardian and the Washington Post reported rate hikes for customers, pay cuts for drivers, and some “buyer’s remorse” at the Proposition’s passage.

States of emergency can also prompt deregulation. In May 2020, in response to the COVID-19 pandemic, the Federal Motor Carrier Safety Association made an emergency declaration that lifted current limitations on the number of hours drivers could drive without rest. For the first time since 1938, truck drivers were allowed to drive more than eleven hours without a break. Most recently, the age to drive a semi-truck across state lines has been lowered to eighteen—a fact that may be of particular interest to students.

Inquiry Process
The first supporting question introduces students to data about how the prices of consumer goods and truck driving have changed over time. These include information about declining salaries, food prices, and union membership alongside the advent of shipping-dependent commodity corporations such as Costco and Amazon. Distribute the source excerpts that students can focus on (see pp. 6–7, links are also provided to access the full sources) among the students and have them work together to consider deregulation’s effects on truckers and consumers. Ask each group to use their sources and data to name three ways deregulation affected truckers and consumers (e.g., big-box retailers like Costco, lower union membership, reduced wages). Students could list these effects or get creative by using illustrations or images with captions. Create these lists on large paper to hang on the wall. Since this question relates
Excerpts
The following excerpts come from a variety of sources. Some words have been deleted … for the sake of readability. Links to sources are provided.


Deregulation has also made it easier for nonunion workers to get jobs in the trucking industry. This new competition has sharply eroded the strength of the drivers’ union, the International Brotherhood of Teamsters … by 1985 unionized workers were only 28 percent of the trucking work force, down from around 60 percent in the late seventies. The number of new firms has increased dramatically. By 1990 the total number of licensed carriers exceeded forty thousand, considerably more than double the number authorized in 1980.

Thousands of trucking firms went bankrupt after 1979, and thousands of others that entered the industry were forced to cut costs wherever possible, mostly by taking income away from their workers. … A 1990 study published by the Economic Policy Institute showed that truckers’ wages plummeted by 27%, or $6,700, from 1978 to 1990, and they are still dropping. The Teamsters’ membership dropped drastically.…

Experts say that today’s big-box and online retailers wouldn’t exist if the government had not given up its ability to control freight prices. No Walmart. No Home Depot. No Amazon. And certainly no Amazon Prime.

We can show and will tonight that that regulation adds billions of dollars to what we consumers pay for the products we have to buy that travel by truck…. So we think the time has come for Congress to end these special privileges and let the truckers compete just like everyone else in the American economy…. Competition is the rule in the American economy, but some truckers think it would be too hard for them to handle.

The current state of affairs is economically wasteful. It wastes fuel on needless motion caused by regulatory restrictions. It wastes capital … It wastes … time of individuals in unnecessary travel, in the regulatory agency itself, and in the time consumed in learning a complex compilation of do’s and don’ts… opportunity cost in other benefits that have been forgone over the years in order to finance the waste inherent in the regulatory process.

With red tape relentlessly on the rise over the past four decades, it is easy to forget that trucking has benefited from broad deregulation signed into law by President Carter in 1980 … The economic landscape for truckers since the dreary days of regulations has, on the whole, been a positive one … In the decade after deregulation, a flurry of bankruptcies punished unprofitable trucking models—and employees paid the price.

We’re not picking on the trucking industry; the trucking industry is picking on the American consumer (7:17). The consumer pays for it [ICC regulation]. It pays for it in higher prices of corn flakes, it pays for it in higher prices in tuna fish, in television sets, and furniture, in every kind of manufactured good that is in part of the system. And it’s wrong and unjustified.


Rate wars have become epidemic, resulting in the economic death of thousands of trucking enterprises—large and small. Many cut corners in order to survive. Some skimp on maintenance. Others run their equipment far beyond normal replacement schedules. Substandard wages attract substandard drivers. Many such drivers use drugs so they can drive beyond normal limits. And truck accidents are on the increase.


The March 13 emergency declaration made it easier for trucking companies to overwork drivers in the name of getting supplies to their destination as quickly as possible. This temporary change was meant to last until the end of June 2020 or until the White House declared an end to the coronavirus emergency.

However, with no end to the pandemic in sight, these dangerous exemptions could simply become standard procedure in the trucking industry. These changes would put Washington motorists at risk as trucking companies exploit the loosened restrictions.


Deregulation has now become high political fashion. But trucking is too important to be left to the marketplace … Our transportation system is a public utility just like water, telephone, gas, and electricity. Regulation is necessary to make sure that you—the consumer can get trucking service when you need … Deregulation would leave thousands of small communities and small businesses with no assurance of trucking service. And it would allow giant companies to dictate favored rates with which the small businessman can’t compete. Trucking is the economic lifeline of the nation. Don’t cut it with deregulation.


A yearlong investigation by the USA TODAY Network found that port trucking companies in southern California have spent the past decade forcing drivers to finance their own trucks by taking on debt they could not afford. Companies then used that debt as leverage to extract forced labor and trap drivers in jobs that left them destitute. If a driver quit, the company seized his truck and kept everything he had paid towards owning it.

If drivers missed payments, or if they got sick or became too exhausted to go on, their companies fired them and kept everything. Then they turned around and leased the trucks to someone else …. Walmart, Target and dozens of other Fortune 500 companies have paid lobbyists up to $12.6 million to fight bills that would have held companies liable or given drivers a minimum wage and other protections that most U.S. workers already enjoy.
# Regulation and Deregulation analysis organizer

<table>
<thead>
<tr>
<th>Source and date (Where did this come from? Who said or wrote it?)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the author support deregulation? How do you know?</td>
<td></td>
</tr>
<tr>
<td>Activating words. Words people react strongly to and that incite emotional responses.</td>
<td></td>
</tr>
<tr>
<td>How are those activating words used? What is the desired effect?</td>
<td></td>
</tr>
<tr>
<td>What are the benefits? Who benefits and/or supports this?</td>
<td></td>
</tr>
<tr>
<td>What makes the argument appealing to some people?</td>
<td></td>
</tr>
</tbody>
</table>
to agreed-upon facts about the effects of deregulation, the posters can serve as references as students complete their analyses for the other two supporting questions.

The second and third questions contain source excerpts that make arguments for or against de/regulation. Students should carefully examine the arguments’ structure and the evidence and persuasive techniques used. The excerpts as well as regulation and deregulation analysis sheets are in the Source section for Figure 1 (pp. 6–8).

**Argument Analysis**

The crux of the lesson asks students to analyze primary and secondary sources. Students should begin analyzing the arguments for and against deregulation using the Deregulation analysis organizer (p. 8). Working in groups, students analyze the excerpts from various sources (Figure 1, below). Teachers should model the process for students. The example in Figure 2 (p. 9) is from the *Economics21* passage (Ross Marchand, “Despite Biased Reporting, Deregulated Trucking,” 2c, p. 6).

The example shows the kinds of words, appeals, and reasoning used to gain support for an economic policy. Descriptive and figurative language paints a picture in readers’ minds (e.g., *dreary*), making the argument readable and mnemonic. Readers are told deregulation means more jobs and thus more (tripled) employment. Who is going to argue against that? Effective arguments anticipate, acknowledge, and refute counterpoints. Mass bankruptcies in an industry would normally seem like a bad thing. Here, they are cleverly excused away. In a free market, the “fittest” firms survive. By calling them “unprofitable,” the author suggests that companies’ bankruptcies were the market’s will, the natural, logical (and deserved) outcome of poor management and not the result of an oversaturated market. In these ways, the author gives the impression they are on the ordinary working person’s side, which is critical for gaining public favor. Finally, the excerpt requires students to use and develop their understanding of economics standards and concepts including the role of competition on wages.

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**Figure 2. Model of Regulation and Deregulation Analysis for Economics21**

<table>
<thead>
<tr>
<th>Source and date (Where did this come from? Who said or wrote it?)</th>
<th>Economics blog. Marchand is an economist.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the author support deregulation? How do you know?</td>
<td>The author supports deregulation. I can tell by the title. It says deregulation has been successful. It calls regulation “dreary.”</td>
</tr>
<tr>
<td>Activating words or concepts. Words people react strongly to or that get their attention.</td>
<td>Dreary, bankruptcies. Paid the price. Employment tripled. Red tape, punished.</td>
</tr>
<tr>
<td>Identify types of figurative language used in section.</td>
<td>Alliteration: “dreary days,” “red tape relentlessly,” and “paid the price” Idiom: “red tape” Figurative language: “flurry of bankruptcies”</td>
</tr>
<tr>
<td>Stated or implied outcome of deregulation or regulation?</td>
<td>More drivers and jobs.</td>
</tr>
<tr>
<td>Who is said to benefit or suffer as a result? (Stated or implied)</td>
<td>It says that “truck ing has benefited” from deregulation. It says some went out of business. Drivers suffered because “unprofitable” companies went bankrupt. “Total employment has tripled”—people looking for a job benefit.</td>
</tr>
<tr>
<td>Why would people find this persuasive or convincing?</td>
<td>It sounds like things were bad (“dreary”) and now they are good. More people have jobs. Jobs are good.</td>
</tr>
</tbody>
</table>
(D2.Eco.4.6-8), profits (D2.Eco.7.3-5), supply and demand (D2.Eco.6.6-8), and unemployment (D2.Eco.11.3-5). After modeling an example, distribute the analysis sheet and excerpts. Each student does not need to read each excerpt. Instead, divide the excerpts among the group so that each student analyses one or two and then have students discuss their findings.

The excerpts were chosen for their readability. Most of these pieces are from online blogs, newspapers, and TV programs intended to be consumed by a non-expert public. Therefore, there is little technical language. Students should recognize economics terms like “opportunity cost” and “imports.” Define any words that students might not know, especially those repeated often. The excerpts may still pose a challenge, but the point is to consider the easily repeatable and consumable words (soundbites) used to provoke a response. For example, Kennedy says the trucking industry is “picking on” consumers while pro-regulation pieces use words like skimp and cut corners that warn the public of danger. Several of the deregulation passages use figurative language such as alliteration (e.g., relentless red tape) and repetition (e.g., repeating waste five times) that students should be able to recognize even if

An International Wal-Mart truck at Urbana, Iowa. Walmart, Target and dozens of Fortune 500 companies paid lobbyists up to $12.6 million to block bills aimed at making companies give drivers a minimum wage and other protections, according to a 2017 USA Today investigation.

**Resources**

*For more on California Proposition 22*

*For the definition and description of regulation*
Will Kenton, “Regulated Market,” Investopedia, [www.investopedia.com/terms/r/regulated-market.asp#:~:text=A%20regulated%20market%20is%20a%20market%20in%20which%20prices%20are%20set%20by%20the%20government%20or%20regulatory%20agency](www.investopedia.com/terms/r/regulated-market.asp#:~:text=A%20regulated%20market%20is%20a%20market%20in%20which%20prices%20are%20set%20by%20the%20government%20or%20regulatory%20agency). Will Kenton, “Interstate Commerce Commission (ICC),” Investopedia [www.investopedia.com/terms/i/interstate-commerce-commission.asp#:~:text=The%20Interstate%20Commerce%20Commission%20was%20established%20in%201887%20to%20regulate%20commerce%20between%20states](www.investopedia.com/terms/i/interstate-commerce-commission.asp#:~:text=The%20Interstate%20Commerce%20Commission%20was%20established%20in%201887%20to%20regulate%20commerce%20between%20states).
**Discussion and Taking Informed Action**

Have students come together to discuss their findings. It is important for students to not only understand the issue at hand, but how and why people are persuaded by verbal suggestiveness. The inquiry gets at key economic and political issues but is an equally useful language arts lesson. Language arts skills include paraphrasing, persuasive writing, using vocabulary and identifying figurative language. Social studies skills include citing evidence, engaging with multiple perspectives, and putting economic and political science vocabulary to use (e.g., Congress, bill, consumer).

**Concluding questions:**

1. Which argument for regulation was most persuasive?
2. Which argument for deregulation was most persuasive?
3. How do you feel about deregulation now?
4. What should voters know about deregulation?

The lesson is intended to help students become more informed voters and consumers regarding many issues, not just deregulation. The concluding questions help lead students to informed action. After discussing the questions they might create a Public Service Announcement or brochure that helps voters understand how to interpret arguments for and against regulation. Finally, teachers should discuss the nuances of food prices and why “low prices” is not necessarily a good deal.

**Notes**


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