



Written by [Bob Adelman](#) on December 29, 2010

Prof. Alfred Kahn, Father of Airline Deregulation, Passes Away

Appointed as chairman of the Civil Aeronautics Board under President Jimmy Carter, he strove to stimulate the moribund airline industry by removing as much of the heavy hand of government as possible. He succeeded to the point where the CAB was disbanded in 1984, putting him out of a job.

So effective was the CAB in protecting the interests of existing airlines from new competitors that not a single startup airline had entered the field in decades. Prior to Kahn, the CAB so tightly regulated the airlines that they had to get permission to change fares, or expand or modify their flight schedules and destinations. This resulted in profitable routes being served inadequately while forcing the airlines to keep little-used and money-losing routes open. In other words, the CAB successfully prevented the free market from providing the services that customers wanted and were willing to pay for. As [Ryan Young](#) of the Competitive Enterprise Institute [put it](#).



The CAB was also a wonderful device for keeping pesky start-ups from competing with established industry giants such as Pan American Airways....

[But] once the CAB was abolished, Southwest and other small airlines [such as People Express and JetBlue] tried out new business models [by] offering lower fares...Today, air travel may not have the amenities it used to, but it is cheaper, more flexible, and more adaptable than it was under the CAB.

When asked about what benefits the industry enjoyed since the CAB was abolished, Kahn [wrote](#) that "while the resulting competitive regime has been far from perfect, it has saved travelers more than \$10 billion a year."

A friend of Kahn's wrote to him complaining about the decline in amenities enjoyed by passengers prior to deregulation, saying that on a recent flight to Denver he had to sit next to a "hippy." Kahn wrote back: "Since I have not heard from the hippy, I presume the distaste was not reciprocated."

Kahn never took himself too seriously. As he began to pressure the CAB to back off in early 1978, he wrote that "Historically, the board has insisted on second-guessing decisions by individual carriers to offer price reductions. During the last several months we have been abandoning the paternalistic role, leaving the introduction of discount fares [known at the time as "super-savers"] increasingly to management ... [every time] I open my mouth ... a fare goes down."



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Remarkably, he was considered a liberal Democrat but didn't buy into the Keynesian camp of economic regulation and interference. Instead, he used classical economy theory to build the case for deregulation. As the CAB was closing down, Kahn concluded,

The verdict of the great majority of economists would, I believe, be that deregulation has been a success — bearing in mind, as always, the central argument — that society's choices are always between or among imperfect systems, but...even imperfect competition is preferable to regulation.

He authored a number of books, including *The Economics of Regulation*, which is still considered to be the standard text in the field. He wrote hundreds of articles and testified before House and Senate committees more than 70 times. He was active on numerous boards and committees, and received the Welch Pogue Award in 1997 from the publishers of *Aviation Week and Space Technology*. At that ceremony, it was said that "his vision and actions resulted in a profound transformation of the U. S. airline industry and strongly influenced international air transportation." In a tribute in 2003, former U. S. Attorney General John Shenefield said,

He taught us a lesson that competition, even imperfect competition, is better than imperfect regulation, that facts make a difference, if only we have the humane procedures to uncover them and the brains to understand them, and that intellectual rigor, decked out in wit and flair, even in Washington, can be a winning combination.

Photo: Professor Alfred Kahn



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