International Comparison of Privatization and Deregulation among the USA, the UK and Japan
- Volume IV : Country and General Overview -

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Contents

Preface .......................................................................................................................................................3

1. Country Overview
   i) United States...................................................................................................................................9
      “Regulatory Restructuring in the United States”
      Lewis J. PERL

   ii) United Kingdom..........................................................................................................................39
      “Privatization and Deregulation in the UK: Background and Overview”
      George YARROW

   iii) Japan ........................................................................................................................................... 65
      “Privatization and Deregulation in Japan: An Overview”
      Tsuruhiko NAMBU

2. General Overview .............................................................................................................................83
   “Comparison of Privatization and Deregulation in the USA, the UK and Japan”
   Akira FURUKAWA and Economic Research Institute Staffs

3. Comments and Discussion .............................................................................................................. 103
   “Summary of the Symposium Proceedings”
   Economic Research Institute Staffs
This is one of the four volumes from the research project on “International Comparison of Privatization and Deregulation”. Others are as follows:

Volume I  : Telecommunications
Volume II  : Electricity
Volume III : Airline and Trucking
International Comparison of Privatization and Deregulation among the USA, the UK and Japan
- Volume IV: Country and General Overview -

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Preface *

One of the most important subjects of contemporary economic policy-making is how to re-vitalize and re-invigorate economic activities and unleash full economic potentials which are hitherto suppressed within the existing economic systems, by reconsidering, redrawing and even removing the lines which demarcate the boundary between the areas of free market activities and those under government interventions.

The need is particularly acute in Japan, where government interventions are so pervasive that around 40 percent of the economic activities, on the value-added basis, are said to be under some form of government interventions such as entry-exit, prices and investment regulations. We all know we need reform of our economic systems, but at the same time we know everybody resists reform as it directly affects his own vested interests. In order to set in motion the painful process of economic reform, clearly Japan needs to deepen the understandings of the basic principles of reform and practical know-how to cope with the problems arising in the process. International comparison of the reform process is one of the most effective ways to stimulate such understandings.

Economic Research Institute hosted last year the symposium on the comparison of economic systems of Japan, the United States and Europe\(^1\). It was to take up the questions whether our economic systems are similar or different, what characterize the similarities and differences, and to what directions they are to evolve. There was a general agreement that the economic system can be characterized by the extent to which freedom of economic agents are constrained in their choice of their economic activities\(^2\). Constraints will arise both from the government-economic agent relationships and inter-economic agents relationships. The former refers to government interventions, and the latter monopolistic behaviors. The constraints are “weak” when economic agents are virtually free to choose their activities, and are “strong” when they are dictated by the government or monopolistic power to take or not to take particular activities. In between there is a vast area of “moderate” constraints where final choices are their own but affected by the government or other economic agents through information, recommendations, tradition, conditions

\(^{*}\) This preface was originally addressed by Shoichi KOJIMA, Director-General, Economic Research Institute, Economic Planning Agency, as the opening remark of the International Symposium on “The Comparison of Privatization and Deregulation in the U.S.A., the U.K., and Japan” held on 19 September 1995.


and regulations. In early 20th century all the countries saw the constraints rose to “moderate” and “strong” when public were concerned with the ill of the free market, and that tide started to be reversed in 1970s in the United States and the United Kingdom as the ill of regulations and cartel-like behaviors are recognized. Japan also started to reduce the government interventions but there still remain the vast areas of the “moderate” constraints on economic choices which are sometimes disguised form of “strong” constraints depriving individual economic agents of their entire freedom of choice.

However, to be more concrete about the similarities and differences among economic systems in our countries and to set out decisive reform, it is necessary to go from general characterization such as this to more specifics.

In this respect, it is particularly important to tackle the areas where the demarcation lines between free market and government interventions are increasingly questioned due to economic advance and technical progress. It is therefore pertinent to choose network industries such as telecommunications, electricity, airlines and trucking for the international scrutiny in this volume, and it is hoped that it will contribute to the deepening of the discussions in general public.