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Tribute to Alfred Kahn 1917-2010

Regulatory Policy Commentary

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For an upcoming 3-day weekend, my 17-year old son and I won't think twice about hopping on a flight to visit family in Massachusetts. When I was my son's age, such an excursion would have been an unthinkable luxury; air travel was reserved for businessmen or the wealthy. Alfred Kahn, the person arguably most responsible for the \$100 round trip fare that will make our weekend jaunt possible, died last week at the age of 93.

I had the honor of interviewing¹ Professor Kahn last summer in his offices in Ithaca, New York. He was charming and witty, with a sharp mind and clear memory of the people and events that led to the successful deregulation of airlines (in which he was instrumental as chairman of the Civil Aeronautics Board), as well as telecommunications and electricity (which he helped initiate as chairman of the New York Public Service Commission).

Born in 1917, Fred Kahn finished high school in New Jersey at 15, and graduated first in his class at New York University at the age of 18. In 1942, he earned a doctorate in economics from Yale and in 1947 joined the faculty of Cornell University, where he remained until his death on December 27, 2010.

When we spoke, he admitted that he started off as an "early institutionalist," influenced by Thorstein Veblen, and skeptical of markets, competition, and consumer choice. What he called his "radical change" came when he realized that "regulation was being used as an instrument of cartelization." He elaborated on this theme – in two volumes – in his seminal and widely-used text, "The Economics of Regulation" (John Wiley, 1971, 1988).

He took a leave from Cornell in 1974 to chair the New York Public Service Commission, responsible for electricity, gas, telephone, and water regulation, and in 1977, he reluctantly accepted President Carter nomination to chair the Civil Aeronautics Board. When invited to give a talk to at an exhibition showcasing newly-acquired European aircrafts, he demurred, saying "I don't know one airplane from another; to me they're all just marginal costs with wings."

¹ This commentary includes quotations from a recorded two-hour interview with Fred Kahn in July 2010. The interview was part of the [GW Regulatory Studies Center's](#) ongoing oral history project to interview the heroes of the 1970s and 1980s deregulation movement. We plan to make excerpts and the full interviews available in the future.

He told me he did not set out to completely deregulate² airline rates, at least not right away. It soon became clear to him, however, that limited “regulatory reforms” or gradual, phased, deregulation would not be successful. Government “can’t manage the process.” Asked once by a group of airline executives to describe what the industry should look like, he responded “If I knew what was the most efficient outcome, I’d continue to regulate,” adding that a major benefit of competition is that it produces unexpected outcomes. Looking back, he told me “I never felt I knew all the answers but believed in experimental trying and following my instincts. I didn’t come to CAB with a prescribed, pre-determination. I was driven to it by the experiences... and by my belief in the principles of marginal cost pricing.”

His personal style certainly contributed to his success. He was a self-proclaimed “showoff” and loved to sing and to perform. He treated people honestly and openly, as if they were his graduate students (“and you don’t fudge to graduate students”). His candor occasionally landed him in hot water with his colleagues and even the President. As the chair of an independent agency, though, he felt less constrained by politics than legislative or executive branch officials. “Look at the power I had,” he remarked to me, “I had the independence to be idiosyncratic. All I had was my principles. Well, I also had a sense of humor and I was smart, but I was not going to get into the game of trying to deceive people.”

In our discussion a few months before his death, he did not see himself as an “apostle of deregulation.” He called himself a 20th century liberal, yet he was not apologetic about the effect of airline deregulation on certain companies or workers because he knew competition in the airline industry has brought huge and, at the time unforeseen, benefits to the American public.

I asked what advice he, a true American hero, would offer young academics interested in public policy. He said “there’s no substitute for grappling with real problems in policy.” But he refused to be called a “hero.” “I’m just a little old professor, who’s also a performer.” And perform, he did.

Read a longer version of this tribute [here](#).

² In his early years, Professor Kahn would have objected to this split infinitive. He gained notoriety for his insistence on clear, proper English, but he told me he now thinks it can be appropriate and efficient to split an infinitive.