

Special Review Memorandum

Re: A Deregulatory "Build-Down"? What's Happening Here? ✓

Foreword

Remember how that former Defense Department Secretary in 1981 returned from strategic arms "limitation" talks with the Soviets and declared, "We're going to have a hard time keeping up with those ceilings"? Pressed for details, the Secretary's press spokesman later explained this was just part of a logical "build-down" -- the United States, you see, had grossly to increase the number of its nuclear warheads, MIRVed and MARVed reentry vehicles, and mobile launchers as well, all in order to make future "disarmament" feasible. Only in Washington (which PBS's Mr. Louis Ruykeiser says often vies with Hollywood as America's entertainment capital), would quite so nonsensical an "explanation" have been immediately embraced. Reporters were happy, Congress was satisfied, and the United States proceeded with one of the greatest -- and most costly -- defense expansions in history. The great Reagan Defense build-down was underway.

"Those Who Cannot Remember the Past..."

Well, much the same air of unreality surfaced this past week. A Washington "think tank" closely aligned with House Speaker Newt Gingrich issued a good report on the Federal Communications Commission (FCC). As discussed previously, that report recommended remodeling the traditional American communications "regulatory Alhambra," not with a scalpel but with a steam shovel. Some, predictably, assailed the recommendations. Nothing, after all, quite so excites politicians and appointees as any public inkling their personal endeavors might not be fully appreciated. (Most, remember, look forward to receiving the thanks of a self-hypothesized grateful Nation -- not having their "delicately balanced regulatory schemes" insensitively dismantled.)

One of the better comments on the report was made by the dean of Federal regulators, however, FCC Commissioner James Quello, veteran of some 21 years watching the communications regulatory drama unfold. The Commissioner didn't assail the Gingrichites's report. Rather, he stated --

Let's conduct a realistic audit of the FCC's current resource allocation and take practical steps to eliminate duplication, unnecessary work, and consolidate agency administration, wherever possible. Above all, we must keep an open mind to the proposition that regulation in any Administration has a historic tendency to feed upon itself and requires periodic review.

At the same time, the Commissioner also noted a Republican Congress currently has before it two telecommunications regulatory "reform" measures -- championed by Republicans (albeit wets) -- which are far from "deregulatory." Hence, he asked the logical question: How can one "deregulate" while, at the same time, Congress is potentially heaping new regulatory obligations on the FCC's plate?

What's Up?

Certainly it's true there's some major disconnect between the report and the pending bills. The House measure, in particular, truly represents a "Rube Goldberg's twin brother" approach to "deregulation." The Senate bill at least makes a stab in the direction of reducing the level and intensity of Government intervention in this sector (and, to its credit, sets up a system for systematic regulatory review.)

In Fairness, the fact the House bill squints toward more regulation is partially a function of industry mischief-making, and an all-too-pliable Congress. Having determined it cannot block Bell competition in long-distance completely, AT&T, most notably, has adopted a plausible "stretch-out" or "competitive harassment" tactic -- that is, make Bell company entry so complicated, so risk-laden, it'll be years before anything happens. And, surprisingly, an ostensibly conservative Republican Commerce Committee membership seems to agree.

"Deregulation" House-style is thus now some 157-pages long, not counting about 30 pages of additional, pro-regulation amendments! For instance, there are elaborate provisions to ensure the American Newspaper Publishers Association members (or whatever they currently call themselves) will continue to be protected from any actual or potential competition. There are equally elaborate provisions to protect the alarm industry -- small, struggling multinationals such as Baker Industries, Rollins, or, for that matter, AT&T. One of the more bizarre, recent amendments would guarantee AT&T and British Telecom's MCI the ability to buy local communications lines at "economically feasible rates," so they can resell them at an adequate profit. That's terminology alien to even traditional regulation -- it sounds like something the COMECON bureaucracy might devise, doesn't it? When asked by Congress what he meant by "economic feasibility," moreover, AT&T's chairman suggested a 50 percent discount from current local service prices might be appropriate! From one of the captains of American free enterprise capitalism, now, a successful plea for profit help.

Ordinarily, if one of the world's largest, most capable, and most profitable firms went to Congress and asked for so special a break -- pure "corporate welfare," as Democrats might put it -- the proposal would be rejected out of hand. This time, however, the proposal was embraced, by all the Republicans! So, at precisely the same time Congress is debating terminating the sugar "subsidy," or stripping away farm price supports, and eliminating several billion dollars a year in Federal technology grants and assistance, we have legislation pending House action which mandates hundreds of millions of dollars in "economically feasible rate" subsidies for AT&T? Amazing, isn't it?

#### Conclusion

It's ironic -- to say the least -- that the fiercely conservative, commendably deregulatory Speaker of the House seems to be getting the strongest support for his Foundation's deregulatory recommendations from the longest serving, and Democratic Commissioner! Meanwhile, his own Republican lieutenants are crafting bills that mandate "economically feasible rates" and other intensely regulatory measures -- "corporate welfare" of the worst sort.

And, the solution? Well, perhaps our Republican Speaker ought to further enlist the aide and assistance of Democratic FCC Commissioner Quello and develop a genuinely deregulatory communications measure. For if either the House bill or its less intrusive Senate companion measure ever passed, Washington could end up with more FCC "deregulators" than Louisiana has alligators. And, there's certainly no good reason to assume that sort of "deregulatory build-down" would help the long-suffering American public, is there? So.

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