

## Special Review Memorandum

Re: "Production Inducement": Let's Hear it for Deregulation.

### Foreword

What do the Bush Administration -- and, especially, the incoming Obama Administration -- need to do to "right the ship"? The U.S. economy's listing seriously. The Bush folks seem clueless -- nothing new there. And, too many Obama "advisers" sound like Inquisition members. That is, they're more interested in removing all vestiges of the Bush regime -- and, punishing any Quislings -- than anything else.

But isn't there something which might be done which might actually work? And, something that could happen without additional enabling legislation -- and, all the costs and friction that implicates?

### The Lesson of Fort Wayne

Well, ourselves, we've always liked the story which Indiana Commissioner Larry Landis told this past May about former Fort Wayne, Indiana, Mayor, Graham Walker. Landis was speaking at a KMB Video Journal conference in St. Petersburg Beach, Florida. The topic was building out and expanding high-capacity, fiber optics communications systems.

It seems that about a year earlier, Fort Wayne's business and economic development team decided the city needed a more modern, up-to-date communications "infrastructure." Fort Wayne's economy has been heavily dependent on the automobile business, and it's been hurt as a result. But state-of-the-art communications might help attract and retain businesses, city planners concluded -- not to mention the more educated, sophisticated workforce which 21st century enterprises often demand.

So Mayor Walker approached Verizon, then installing its high-speed, fiber-based FiOS system in a number of places. Verizon decided they'd look seriously at Fort Wayne -- and, shortly thereafter, the Mayor called all his department heads in for a little sit-down, a little chat-up meeting.

### "See What You Can Do"

Mayor Graham began by explaining that the city wanted and needed the advanced communications services Verizon was planning to provide -- and, he explained how the economic activity the new FiOS network might engender could be critical to Fort Wayne's future.

"We want this to happen," the Mayor said, so please "see what you can do to help," he added. And, the city government establishment heard that message and positively responded, too.

So, what occurred? Well, a FiOS network was not only deployed in Fort

Wayne at near-record speeds, but the company saved lots of money. Instead of the \$1,300 per subscriber capital cost Verizon had been experiencing, in Fort Wayne costs were just \$900. That's about 31% cheaper -- just because all the city's various departments and groups tried to make things better.

#### The Schwarzenegger Advisory

Something of the same happened in California -- what is it? The world's seventh biggest economy? Governor Schwarzenegger got tired of reading about the slow expansion of the advanced communications networks his advisers told him would both spur economic activity and make for more cost-effective delivery of public services. So, the Governor set up a Cabinet-level task force to see what might be done.

One thing the task force did was standardize application forms when fiber companies wanted to cross or use state assets. Previously, the highways folks had their form, the buildings people had theirs, the parks agencies their own, and so forth. Now, however, there's one form, everyone accepts it -- and, the process is easier.

The highway department was encouraged to publicize whenever they were digging ditches or setting poles -- so that fiber companies wouldn't have to dig a new ditch: Expensive to them and added hassle to the public. Again, the Governor's message was, "This is a good thing, and we want to encourage it to happen." And, the process seems to have worked.

#### The Section 706 Joint Conference

The week before last, there was a Federal-State conference on broadband networks, held in San Jose. We expect a lot of the state officials participating had other reports of positive steps they've taken, or encouraged, to ensure forward progress.

In addition to this, there was evidence adduced on how the delivery of better public services had been facilitated -- health care and educational services, for instance. No one seems to have said it directly. But Federal, state, and local government accounts for better than 26% of the economy these days, remember. Achieve just a 1% reduction in the cost of delivering these services and, as Senator Dirksen famously said, "It amounts to real money." As Senator Judd Gregg has remarked, too, "There are enough zeroes" to get serious attention.

And, remember, if you can actually (a) stimulate investment and job creation and (b) also accomplish more efficient delivery of public services, you've got a "two-for" on your hands, don't you?

#### Making an Effort to Make a Difference

According to former Clinton Administration official John Podesta, soon the various Obama "flying squads" will be descending on Federal agencies as part of the transition process. It sounds reminiscent, in part, of the teams Prime Minister

Margaret Thatcher unleashed, doesn't it? As a British "mandarin" explained to us, it was all quite disconcerting to the Civil Service. "If there was anything you did which had the remotest commercial potential," he explained, "you immediately became a candidate for privatization." "If you didn't have that potential," he added, "you were branded a parasite."

Yet we get the sense, Peggy Lee-like, that "something is missing," here? The Obama Administration, remember, will face an economy in very serious straits. They may relish the opportunity to repeal the Patriot Act, or shutter Guantanamo -- or, erase the Administration's telecommunications surveillance rules. But that's not going to create private sector jobs, spur investment, or push the stock market back up, is it? Something, in short, needs to be done affirmatively. Imagine. Affirmative steps by a new Administration to make the economy better! Where will it all end?

### Summon the SES

Ourselves, if we had our druthers we'd do two things. First, we'd summon all the Federal Communications Commission (FCC) Senior Executive Service (SES) personnel and tell them, "We want to spur jobs, investment, and economic activity - - and, we want you to tell us how that might be accomplished." We'd give them 24-hours to come up with a list -- with one (1) paragraph descriptions.

Then, we'd review those options and order all the less controversial measures to be put into effect. For example, we'd speed up the "type acceptance" of radiocommunications equipment, we'd postpone for two years any costly new reporting requirements, we'd order the speedier grant of all applications, and so forth. In other words, like Mayor Graham Richards, we'd encourage the administrative and other staff to work hard to make good things happen.

And, would it work? Well, it's hard to make a judgment without knowing exactly what's on the table, isn't it -- unless you're just so doctrinally rigid you can't imagine deregulating anything. But, again, remember the sheer size of the "Information Economy" and "telecommunications" is such that even a minor shift can yield enormous gains.

### Conclusion

Could the Obama Administration ever embrace regulatory reform with a view toward facilitating beneficial economic activity? Well, even St. Paul was amenable to a Damascene conversion. President Nixon opened relations with China. And, a General Secretary of the Chinese Communist Party famously said, "I don't care if it is a white cat or a black cat -- as long as it catches mice."

Presidents Ford and Carter -- and, their economic teams -- figured that regulatory reform was a promising means of achieving gains. Thus, Senator Kennedy and Steve Breyer joined with Republicans to push airline reforms. Rail and motor carrier deregulation secured strong, bipartisan support. The FCC deregulated telephone equipment, many long-distance services, and even radio

broadcasting. And, from the standpoint of the American public, these and others were certainly worthwhile undertakings.

Now, we appreciate that fostering economic progress might be less satisfying than tracking down the reprobates and reversing eight years of Republican policy. But remember, the window of opportunity here is small. President-elect Obama will have about 18 months after Inauguration to show positive economic results. And, if he doesn't succeed at that, he'll be just like Jimmy Carter, won't he -- yet another "incomplete success." So, our advice? Follow the Fort Wayne example and try to facilitate forward progress. It'd be good for the incoming Administration -- and, also quite good for the country. So.

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