

Special Review Memorandum

Re: The Next President, Telecoms & "Getting the Economy Moving Again."

Foreword

How much attention will our next President pay to communications and "Information Economy" issues, when it comes to crafting an overall economic policy?

Should Be Lots -- For These Reasons

Well, communications and information issues ought to be central to any new President's efforts, and for these good and sufficient reasons.

First, there's the obvious "production inducement factor." American economists rarely come up with anything all that useful. But Japan's economists have developed easy rules-of-thumb which the country's economic planners and politicians regularly employ. Rules which ordinary people of average intelligence can actually understand, too.

Thus, Japan planners -- relying on input-output statistics -- have figured out that telecommunications investments are among the most productive when it comes to yielding growth and jobs in the Japan economy generally. In the 1980s, they concluded you got lots more bang for the buck -- yen, actually -- by investing in wireless communications. For every ¥1 invested in wireless, they concluded, you generated at least ¥1.8 in economic activity.

They also found that one of the most productive of investments was actually TV -- because it's chiefly an advertising medium, a prime "lubricant of commerce" to use Sir Winston Churchill's term. (It's interesting, isn't it? How many American policymakers do you think understand these things? Have you ever heard an FCC Commissioner mention the linchpin role TV advertising plays in our demand-driven economy? One did two years ago. Amazingly, he wanted to eliminate all "product placement" -- oblivious, of course, to the economic harm that might cause.)

In the 1990s and even later, Dr. Alan Greenspan (especially) stressed the large "people's dividend" inherent in today's computers, especially when they're linked to communications facilities to produce "the Internet." Greenspan and others stressed the importance of productivity. And, Dr. Robert Crandall of the Brookings Institution has also shown how these particular technologies can all boost productivity and output in the services sector, previously thought to be relatively impervious to the benefits automation typically yields in manufacturing.

Positive Government Can Actually Help

Second, communications and information services are one of relatively few

sectors where one can show that positive Government actually yields large gains -- and, quickly, too.

Recently, at a KMB Video Journal conference in St. Petersburg Beach, Indiana Commissioner Larry Landis cited their positive experience in Fort Wayne. There, former Mayor Graham Richards directed that all the various city agencies actually try to facilitate Verizon's deployment of the company's advanced FiOS network. Agencies got together, and figured out what would help -- steps which are similar to those which California Governor Arnold Schwarzenegger has ordered there.

What was the result? Well, instead of spending an average of \$1,300 per subscriber to install its FiOS system, Verizon only had to spend \$900 in Fort Wayne -- so deployment went faster, customers got service sooner, and the economic benefits started flowing faster, too. Imagine. Government actually trying to help the public by boosting the economy! As Sir Humphrey Appleby might say, "Where will it all end?"

Jack Valenti & "De-Thicketing"

The last Administration fully to appreciate the relationship between regulation and the economy was probably President Ford's. In 1974, you'll recall (maybe), President Ford faced real challenges -- "stagflation," and all that. His economic team -- Drs. Greenspan, MacAvoy, Stein, etc. -- decided that removing some regulatory sand from the economy's gears might actually work.

Well, when the Ford Administration undertook a comprehensive review of Federal economic regulation, the late Jack Valenti -- even then, head of the Motion Picture Association -- said he wasn't sure "deregulation" was achievable.

But "de-thicketing"? Valenti said agencies like the Federal Communications Commission (FCC) ought to streamline their processes to foster economic growth - - to produce investment opportunities, jobs creation, new service options. All that good stuff.

Well, the Fort Wayne experience shows you can, indeed, generate savings of more than 30% by just encouraging government agencies to facilitate the process. And, while you might not be able to generate quite that amount elsewhere, wouldn't you expect there to be major, positive gains?

What to Do

So say you're working with the incoming Clinton-Obama-or-McCain Administration? What should you do?

Well, we'd start with say four or five top-level industry meetings -- hold them in the Roosevelt Room, for heaven's sake, to impress attendees. Have a meeting of phone companies, wireless firms, broadcasters and cable, then "Computer

Tomorrowland" leaders. Tell them it's important that corporate leaders, not just their Washington operatives, attend -- and, that they pledge to cooperate with the new Administration to help the country. Stress what was said repeatedly in the Commerce Department's 1988 NTIA Telecom 2000 report: "We're all in the same boat!"

Start by asking these national private-sector leaders two simple questions: First, what are you prepared to do to help America, to help get the economy moving? And, second, what do you want Government to do specifically to help? Ask Microsoft's Ballmer, for instance, if he's prepared to repatriate some manufacturing activities. Ask Comcast when it plans completely to digitize its services. Ask AT&T and Verizon how much faster they can deploy advanced communications to every business and home. And, for heaven's sake, ask wireless companies when they're going to start offering the array of services regularly available, say, in Japan today.

Meet With the Leadership

Second, the incoming Administration's "get-the-economy-moving-again" team ought to meet with FCC Commissioners, bureau chiefs, and National Telecommunications & Information Administration (NTIA) leaders, too.

Tell these folks that the new Administration's number one priority is faster growth -- more investment opportunities, more jobs (the "good jobs with a future" sort), and more options. Ask them to subordinate all else to those goals -- at least for the time being.

Ask for a Five-Point Program

Each private sector personage, remember, should be asked to submit a one-page memorandum for the President outlining the five things they plan to do to help the country -- and, when they plan to start and finish. They should also be asked to have it signed by an officer of the relevant corporation.

Of course, asking telephone companies to give you information in just one page is wildly optimistic. These are the original "watchmaking" folks -- that is, ask the time and they'll begin with a history of horology. And, the proposed changes any of these folks will actually implement are limited, too. What do you think overall "compliance" might be? Twenty percent, maybe?

But 20% is a major accomplishment -- and, it's a pretty good "fulfillment" rate for any Federal program, isn't it?

Caucus With the Careerists

Meetings and all that concluded, review quickly what the private sector's said, and note the streamlining and help they've requested. And, call in top civil service officials again, and ask for their help.

Don't worry. The new Administration's staff don't need to make subtleties obvious -- if they act quickly and directly. The people who administer programs and "run the Government" are quite capable of responding positively -- if it's made clear to them (and their leadership) that the number one priority is a stronger, better economy.

Conclusion

In 1992. President Clinton assumed -- correctly -- that a rising economic flood will lift many boats, Clinton understood that growth meant jobs -- and, gave people what they really wanted: A chance to help themselves, and their families, directly. President Clinton also noted that when people have jobs and are optimistic about the future, interest in more Federal, state, or local government programs tends to recede -- so your fiscal pressures are reduced, too.

As a former Governor of a developing state, moreover, remember that President Clinton appreciated the importance of being "enterprise friendly." One gets the sense from some politicians these days that they think the best solution to America's ills might be Cuban-style trials in stadiums, followed by mass execution of business and financial community leaders. But the Clinton-Democratic Leadership Council approach was markedly different, wasn't it? And, it actually seems to have worked, doesn't it?

Well, telecommunications and information have a great "exchange ratio" -- relatively modest input can produce really good gains (and, the Japanese economists can show that). This is also a field where there's proven benefit in simple "de-thicketing." One needn't remodel the regulatory Alhambra with a steam shovel -- a few strategic slices with a scalpel ought to suffice.

Finally, the incoming team needs to remember the career civil service and existing agency leadership are quite capable of following suggestions -- provided they're quick in coming and are easy to understand. "Promote forward progress" is easy and direct enough, isn't it? So, let's see if this is something the next Administration speedily undertakes.

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