Liberalize Telecommunications

Appeals to the "public interest" and claims of airwave scarcity have long been invoked to justify telecommunications regulation. But in today's world, policy makers starting from a clean slate likely would not create a Federal Communications Commission (FCC) with control over prices, entry, and service delivery. Internet-based technologies have helped erase distance, allowing millions to become broadcasters in their own right. Today's communications landscape has given individuals a power to exercise freedom of speech that the Framers could hardly have imagined.

Yet a pro-government regulation bias persists. Some application and content companies seek "net neutrality" legislation that would effectively impose price and access regulation on network providers and inhibit infrastructure development. The entertainment industries want a "broadcast flag" to deflect piracy. Some groups want the FCC to regulate "indecent" content on new services, or to implement a new "Fairness Doctrine." Others want to limit the size of media companies. In the latest *Unified Agenda of Federal Regulations*, 145 rules originate in the FCC, an agency whose budget has increased by more than 20 percent over five years.

Competing cable, telephone, and wireless companies have revolutionized the telecommunications industry. Cable companies provide local phone service; wireless phones have effectively replaced long distance wireline; satellite competes with cable video programming, while phone companies challenge both satellite and cable video. Reform should advance such competitive discipline and consumer empowerment, and avoid the costs of centralized bureaucracy. Congress should radically reform the FCC, and accord it a minimal regulatory role.

Rollback of government regulation does not mean that communications remains "unregulated." Competition, or even the threat of it, disciplines the behaviors of companies in efficient and consumer-friendly ways. Those concerned about abuses should keep in mind that the Federal Trade Commission (FTC) would continue to enforce general unfair competition rules, states would retain consumer protection authority, and federal antitrust rules would remain in force. Congress should:

- ***Eliminate economic regulation of telecommunications.*** Rules regulating price and access should be phased out entirely. Policy makers should view lightly regulated Internet communications as a baseline and deregulate to bring legacy communications into competitive parity with the new technologies. Congress should not legislate in new areas, such as by imposing price and access controls in the name of net neutrality.

- ***Restructure the Federal Communications Commission.*** Eliminate FCC functions that could be covered by the Federal Trade Commission, provide a clear legislative mandate to bring the broadcast spectrum into the market, and create a "firewall" to prevent FCC regulation of new communications services, such as voice over Internet protocol or digital recorders.
- ***Analyze which governmental authority, federal or state, is best suited to regulate—or whether government regulation is even required.*** In some cases, Congress should assert its interstate commerce regulatory authority by preventing state interference in communications services.
- ***Revisit rationales for economic and social policy regulation.*** Social welfare initiatives and goals—such as the universal service tax—should be disentangled from industry-specific taxes, price controls, and technological mandates.

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