

BOOK REVIEW

You Say You Want A Revolution

By Reed E. Hundt

Pedal to the Metal

*Former FCC chairman Reed Hundt tells tales of
bureaucracy-busting on the Information Highway*

By Michael Stern

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When Reed Hundt took over the Federal Communications Commission in 1993, he stepped into a telecom era that appears, from today's perspective, almost medieval. But at that moment, it felt like technology and policy were rushing forward faster than ever. It was the early 1990s, before the Web, before Internet-based telephony or fast optical switching of undifferentiated streams of voice and data. The big buzz was about the convergence of TV and the telephone, broadcasting and cablecasting. Who would pipe what sort of communications into America's living rooms—and by what means? Owners of the various lanes of the nascent information highway (cable broadcast, wireless, copper wire, satellite) were jockeying for position. They worried about new forms of competition and eyed buying one another to prevent it. And their ever-growing army of lobbyists patrolled the halls of the FCC, ready to forestall any challenge to the regulatory status quo, which heavily favored the longtime incumbents—broadcasters, the local phone companies, and entrenched long-distance carriers.

Then along came Hundt. He was a seasoned inside-the-Beltway antitrust partner in Latham & Watkins's Washington, D.C., office, but his real credentials were as a Friend of Al and Bill (as Gore's pal and adviser since their days at St. Albans and as a law school classmate of Clinton's). "For the purpose of carrying out Al's vision for the information highway," Hundt writes, the FCC slot was the new administration's most important appointment, and he

leaped at the job offer. With Hundt, Gore got more than a loyal ally and fawning booster (although Hundt's invocations of Gore's "hazel-eyed, shy, strong, smiling" presence are the verbal equivalent of Nancy Reagan's adoring gaze at Ronnie during his speeches). The administration landed someone willing to confront the FCC's sclerotic status quo and to reinvent the government's role in telecommunications.

The FCC was originally created by the Communications Act of 1934 to manage what was then a scarce public resource, radio bandwidth. It devolved through the usual process of agency capture into a gladiatorial arena where regulated monopolies lobbied to preserve the largesse that government had created but could theoretically take away. Uncle Sam, for example, had originally granted the early radio and TV industries free access to the airwaves, but could change direction and decide to charge users for the new spectrum required for high-definition digital television. The FCC traditionally presided over rate-setting for telephone calls and cable TV access that, as Hundt says, "essentially guaranteed that no communications business could fail." But it also had the power to lower prices for consumers rather than protect phone and cable company profit margins.

Although FCC rules kept the monopolies intact, Hundt points out that "technologies evolved in ways that threatened the legal division between industries: Different delivery mediums could deliver similar content and services. To maintain separateness, the FCC's rules grew increasingly

complex and ridden with compromises." While TV broadcasters could have their signals carried by cable systems, they weren't allowed to buy cable companies. Local phone companies couldn't offer long-distance services themselves, but were allowed to charge the long-distance carriers for originating and terminating long-distance calls. Local TV stations were prohibited from buying local newspapers, but newspapers could own TV stations in markets where they did not publish.

Hundt's Copernican challenge to this Ptolemaic system was a variation on the Clinton/Gore 1992 campaign mantra about the economy: "It's the market, stupid." He was convinced that unleashing market forces would "dissolve the hodgepodge of regulatory restrictions" and benefit consumers far more than FCC oversight. Hundt's showcase example is FCC price regulation under the Cable Act of 1992, which he inherited. The act gave the FCC jurisdiction over cable TV rates. But the result of the lobbyist-brokered rule-making process, he reports, was that none of the country's 16,000 cable systems lost money, and one-third of subscribers nationwide had their rates increased: "What was the point of rate regulation if the principal beneficiaries weren't thankful or better off?" Instead, the government's proper role, Hundt argues, "lay primarily in increasing investment in entrepreneurship in order to stimulate competition against monopolies.... Competition would generate new choices for consumers, who in turn would spend more money on media and communications,

and get more for their money." The goal: a Democratic withering away of the FCC, rather than, a Republican erasing of the agency's budget, if not the agency itself.

One of the major accomplishments of Hundt's market-oriented stewardship was the auction of wireless telephony spectrum in 1994. The auction ended a sorry ten-year-period in telephone history that began after the 1984 AT&T breakup, when the hapless commission permitted only one Baby Bell and one competitor to offer wireless service in each U.S. market. Precluding competition kept prices high and technology lagging. By auctioning off spectrum for new services to all comers (rather than permitting yet another giveaway to entrenched monopolies, as the Republicans in Congress sought), the government raised \$7.7 billion. But far more importantly, it opened the market to new players willing to invest in new digital technology. The result: By 1999 prices had plunged 75 percent and usage exploded.

Hundt's other major accomplishment was the passage of the Telecommunications Act of 1996, which implemented much of the administration's deregulatory agenda. He offers a satiric vision of an entrepreneurial Silicon Valley triumphing over monopoly-loving Government Gulch: "raggedy programmers in Birkenstocks stepping on the Gucci-shoed toes of Italian-suited network television lobbyists, pale plump chip designers besting the bullies from cable." Put more prosaically, the act unleashed competition in local and long distance telephone markets and fostered growth of the consumer Internet and of packet-switched technology for voice and data. Hundt points out that, if the Baby Bells had gotten their way and imposed Internet charges equivalent to their fees for long-distance phone calls, a monthly ISP bill for moderate online use would have been \$150—a tab big enough to severely tamp down the explosive growth of the Web after 1995.

Hundt's persona for his tale is that of a *Candide* caught inside the Beltway. "I thought I had a judge's job," he writes at the outset, "discriminating, issue by issue, case by case, among competing legal arguments and factual assertions.... I suspected that perhaps, on occasion, politics—meaning the search for results that pleased a majority—might play a role in my decision making. This mock innocence is hardly credible.

Hundt had been Gore's campaign adviser ever since Gore's 1984 Senate race, and clearly saw himself as more like a Cabinet official doing his patron's bidding than as the head of a hybrid agency ultimately answerable to Congress.

Further undercutting his act as an apolitical naïf, Hundt is surprisingly open about his partisan agenda at the FCC. He acknowledges that fostering telecom competition was also a way of fostering campaign contributions for his party's candidates—the existing monopolies tended to contribute to the GOP and the new entrants to the Democrats.

But his persona is charming: "Like everyone, I believed what I read in the paper. I hated the person with my name who was depicted in the press" he writes of his days of being flagellated in the media and Congress for trying to lower cable rates. "The staff delivered the newspaper articles to me at 8:00 A.M. and postponed the staff meeting to 8:30 so that I would have at least a half hour to rage alone in my office. But we needed more of a plan than that."

Hundt's self-deprecation extends to anecdotes about his encounters with the rich and famous. When Andy Grove tells Hundt that their dinner to discuss wiring classrooms to the Internet was the best government meeting he'd had, Hundt confesses that the praise "bubbled in [his] head like a glass of champagne." The bubble is burst when Grove adds, "Because you didn't ask us for money." Hundt describes his futile effort to interest Michael Ovitz in the administration's digital TV agenda while Ovitz "slithered around the office like a gecko on a tree trunk.... Ovitz stared blankly at me as if I were an over-the-hill actor, no longer worth an agent's time."

Hundt skates lightly over the real substance underlying the bitter legislative and media battles that characterize his tenure (he resigned in 1997 and is now a McKinsey & Co. consultant and lecturer at Yale Law School, awaiting the outcome of the 2000 elections and a possible summons from President Al). *You Say You Want a Revolution* is more like a Gore campaign marketing tool, or NBC's *The West Wing*—zippy dialogue, screwball comedy, and a few gestures toward liberal totems masquerading as "issues." It's a far cry from the usual university press tome on telecom policy.

As a former reporter, I have to object yet again to nonfiction writers using, as

Hundt does, quotation marks for made-up quotes. "I did not take verbatim notes during my four years in government.... The ultimate arbiter of facts has been memory," he says. We all know how fallible memory can be. Just think of reading the Nixon crew's memoirs without sources or footnotes. Hundt says he tried Tom Wolfe's technique of depicting "subjective reality" so "the reader can form a judgement about public service in our time." We've read Tom Wolfe, and you're no Tom Wolfe, Reed. Do you really expect us to believe that you were able to precisely remember Al Gore's 1992 observations about the FCC job, or some industry mogul's table talk at a dinner party six years ago?

Hundt does deserve credit for growing a thick skin, keeping his sense of humor, and largely keeping federal regulatory hands off the commercial Internet in its early days. But his hobbyhorse of wiring every classroom in America to the Internet (a Gore campaign mainstay) has little to do with education, which is not primarily technology-driven. He simply ignore the Communications Decency Act portions of the 1996 Telecommunications Act, which tried to extend the FCC's disgraceful censorship of broadcast TV and radio to the Internet (they were held to be unconstitutional by the U.S. Supreme Court).

The telecom revolution of the 1990s brought us economic growth, low inflation, and consumer confidence. But it's far from clear how much the revolution was due to government getting out of the way of new technology and new competition, and how much was an unintended, if happy, accident. We'll have to wait until after November for Hundt's next turn, if any, no the public stage, to see if he can convince us it was the former. ■

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