

Congress okays telecom deregulation boondoggle

by Anthony K. Wikrent

The U.S. Congress passed the massive Telecommunications Reform of 1996 on Feb. 1, throwing out the legal structure which has governed the nation's telephone, television, and radio industries since the 1930s. The new legislation is basically another deregulation boondoggle, of the type that has decimated national airline, trucking, and railroad service over the past 15 years, isolating many smaller and rural communities, and destroying wage levels in those industries. That the legislation enjoyed massive bipartisan support (it was a pet project of Vice President Al Gore), passing by votes of 414-16 in the House, and 91-4 in the Senate, and gaining a quick pledge to sign it by President Clinton, demonstrates how blindly wedded the nation's political institutions remain to the disastrous economic and financial policies of the past three decades.

The "free market" thinking behind the bill is concisely captured in comments by Rep. John Linder (R-Ga.), who

managed the floor fight for the bill, and who told the *New York Times* on Aug. 3, 1995: "The most extraordinary development has come in those nations that have put their trust in the power and potential of the marketplace. . . . This bill states that government authority and mandates are not beneficial to economic development." Countless similar statements were made by both Republicans and Democrats since then. Rep. Ed Markey (D-Mass.) has been pushing for telecom deregulation since the late 1980s, and led Democratic support for the bill.

All five commissioners on the Federal Communications Commission quickly issued statements supporting the legislation to some degree or another. Fairly typical was Commissioner Rachele Chong Hails, who declared on Feb. 1: "Up to now, we've been regulating in a Star Trek era saddled with Gunsmoke-style regulations. This bill tears down outdated barriers to communication, and unleashes communications companies to offer exciting new services to Americans. It allows government to get out of the way."

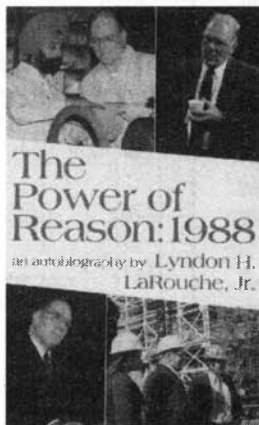
Less competition, but higher rates

About the only opposition to the legislation came from a handful of consumer groups who fear that deregulation will allow large corporations, such as Rupert Murdoch's News Corp., or the seven Regional Bell Operating Companies (RBOCs), to eventually drive out smaller companies, with the end result that in a few years, there will actually be less compe-

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—Former U.S. Attorney General Ramsey Clark

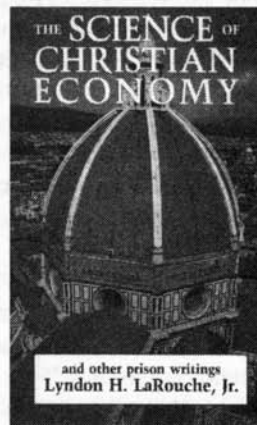
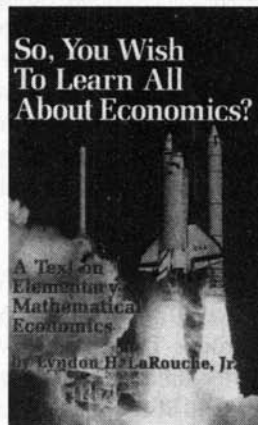


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tion, not more. The consequence will be that in those markets where such a communications monopoly or oligopoly emerges, prices will be much higher. This is exactly what has happened in the airline, railroad, and trucking industries since the deregulation of transport in the late 1970s.

These are some of the bill's provisions:

- Current federal limits that prevent any one company or network from owning TV stations that reach more than 25% of the U.S. population, would be lifted to 35%. A group of network affiliates (local TV stations) had lobbied hard against the bill, warning they would lose their autonomy from the networks, with the loss of much local broadcasting, and apparently succeeded in eliminating the provision in the House version that would have raised this particular limit to 50% after one year.

- The current federal limit on no one entity owning more than 20 AM plus 20 FM radio stations around the country has been eliminated. Caps are placed on four levels of local markets; for example, in a market with 45 or more radio stations, no one entity may own more than 8. However, the FCC is instructed to provide exceptions to these local caps, if there is an increase in the number of stations operating in that area.

- Current federal limits that prevent one entity from owning all the major newspapers, TV stations, and cable TV providers, in the same city or locality, or at the same time, would be greatly relaxed.

- The seven RBOCs, formerly all subsidiaries of AT&T, will be allowed to offer long distance service, providing that they can demonstrate that they have opened their local phone market to a level of competition to be determined by the FCC within six months of the bill becoming law. Cable TV providers, for example, will be allowed to offer local phone service. The RBOCs will also be allowed to begin manufacturing telecommunications equipment, which they are currently banned from doing under the judicial provisions of the AT&T 1984 break up.

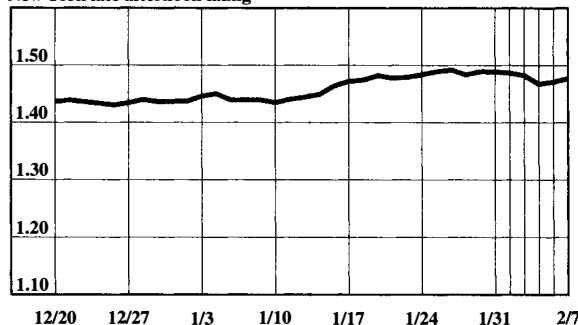
- The RBOCs will also be allowed to offer cable TV and other services: This provision especially alarms local public television stations and consumer groups. The Center for Media Education argues that "Free over-the-air broadcast television will most likely disappear as cable and fiber optic systems become the primary means of distribution. While certain basic services may be available for a flat monthly fee, most programming in the future may only be offered on a pay-per-view, or even 'pay-per-minute' basis. Public, educational, and governmental access channels, and other local services on cable television could vanish as cable companies are replaced by phone companies who will not be required to go through the franchising process to begin their operations."

This just might be a hidden blessing: As the economic collapse continues to decimate wage levels, fewer people will pay to watch TV, and thereby escape this pernicious instrument which has brainwashed people into accepting such silly ideas as deregulation.

Currency Rates

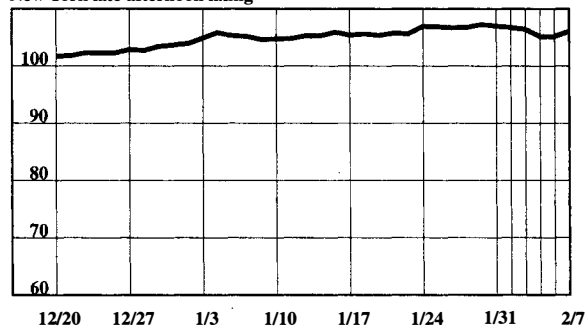
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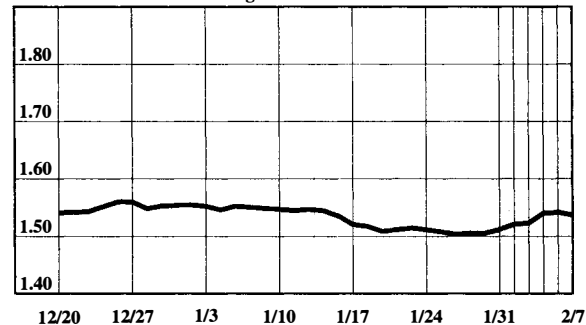
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