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The FCC's Bizarre Overreaction to a Job Loss Study

By PETER ROFF
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In early October the Phoenix Center for Advanced Legal and Economic Public Policy Studies--a technology policy think tank--released a paper forecasting that a proposed new FCC wireline and wireless regulation may be “a job killer.”

The analysis is a little bit technical. The issue is not. The FCC wants to reclassify broadband under old telecommunications common-carriage rules. According to Phoenix, the policy changes being contemplated could cost the industry more than 300,000 jobs--many of which are unionized--if they reduce capital expenditures by at least 10 percent.

“At a time when unemployment is high and the economy is faltering, anti-investment telecom and broadband policies are ill-advised,” Phoenix Center President Lawrence J. Spiwak said in the analysis. “The data reveal that increasing investment in communications networks increases sector employment and these jobs are relatively high-paying jobs. The heavy-handed regulatory mindset of the current FCC is not good for investment, so it is not good for jobs. Moreover, there is no evidence that the proposed regulations are good for consumers.”

The study is, to be candid, a fairly dry and academic work, not easily accessible to the general public and not typically given to wide circulation outside a very specialized group of experts. It would have received little attention in the wider media were it not for the strange way in which the FCC responded to it.

In an E-mail sent to reporters, an FCC senior official accused the Phoenix Center of having “reached its conclusions before conducting the research.” And thenthe Federal Communications Commission’s Paul de Sa, the chief of the FCC’s Office of Strategic Planning, engages in a lengthy and not dispassionate diatribe on his official blog against this one very academic study.

“The Phoenix Center apparently thinks their latest paper is so good they named it three times,” de Sa writes. “‘Jobs, Jobs, Jobs’ is a frothy mix of algebra and math jargon ("a 2 × 1 speed of convergence parameter vector, C is a matrix that defines the contemporaneous structural relationship among employment and investment expenditures, and et = [e1, t e2, t]' is a vector of mutually orthogonal structural shocks to these variables") apparently proving that investment creates jobs (or, "we have a one-way causal relationship, in a Granger causality sense, flowing from changes in capital expenditures to jobs"). So far, so obvious.”

The folks at the Phoenix Center argue that the FCC is not objecting to the paper on its merits but are, instead, engaged in a form of character assassanation. “So far, So Obvious.”

Not being an expert in technology policy it's hard to tell who's right, particularly since the center itself recognizes "it is impossible to size the investment effect before specific rules are written, litigated, and 'digested' by the industry." It is curious to see, though, how you can arouse the wrath of a government agency by predicting its actions will produce the loss of more than 300,000 jobs.

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