

## MARKETS AND CONSUMER WELFARE: BUNKING THE MYTH

Adapted from a speech by Michael K. Powell, before the Federal Communications Bar Association  
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*Michael Powell, the current FCC chair and son of Colin Powell, is a big proponent of deregulation. When asked at a press conference how he defined the public interest, FCC Chair Michael Powell quipped, "I have no idea." The public interest, he explained, is "an empty vessel in which people pour in whatever their preconceived views or biases are." In this speech, which has been edited by your fabulous teacher, Powell discusses why he doesn't support the public interest standard; and why he prefers the market model and deregulation instead.*

**A**s you all well know, I am committed to building policy that is centered around market economics. At times, this foundation of my thinking is often questioned as being somehow anti-consumer. In a television interview, the question goes something like this: *Many consumer groups express grave concern that your laissez-faire approach will harm consumers. They say you are out of touch with consumers and living in an ivory tower. What say you?*

I am always a little puzzled by this question, for the premise of it has been so thoroughly discredited in this nation and in countries around the world that it should be beyond challenge. Market systems, far from being the bane of consumers, have unquestionably produced more consumer welfare than any other economic model devised by mankind. How is it that anyone can argue that the pro-market policies of the United States have not yielded enviable productivity in our economy, jobs for our citizens, a higher standard of living than nearly any other country in the world, and a tradition of innovation and invention that has brought new products, tools and services to our citizens?

A well-structured market policy is one that creates the conditions that empower consumers:

- It lets consumers choose the products and services they want—which is their right as free citizens.
- It breeds entrepreneurs—giving an opportunity for someone with a good idea the

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chance to build a business and acquire wealth and opportunity. Something few, if any, nations have done as well as this country.

- It creates a fertile environment for innovation. Innovators know they have the prospect of reaping great rewards (if they take great risks) and consumers get the benefits of the latest products and services.
- It allows market forces to calibrate pricing to meet supply and demand. Consumers get the most cost-efficient prices and enjoy the benefits of business efficiencies.

The result for consumers is better, more cutting edge products, at lower prices.

Contrary to the classic bugaboo that markets are just things that favor big business and big money, market policies have a winning record of delivering benefits to consumers that dwarfs the consumer record of government central economic planning. Thus, if you are truly committed to serving the public interest, bet on a winner and bet on market policy.



FCC Chair under the Bush administration, Michael Powell

I am a public servant and I believe very deeply that maximizing consumer welfare is the paramount objective of public policy. But the public interest standard and our commitment to it should not stand for the conviction that markets are consumer unfriendly and cannot be trusted; assuming that they go to excess, that they always fail, that there are too many needs and services they cannot deliver and that the risks and the human and social costs are too high and the potential for abuse too great. Experience teaches us otherwise.

I (to no surprise to you) do not subscribe to this view. Serving the public interest means crafting the conditions and the environment that will allow innovation to bring new and improved products and services to all Americans at reasonable prices. In capital economies, the central premise is that the interests of producers (i.e., money-makers) and consumers need not diverge, but, in fact, can be synchronous. Market dynamics are proven tools

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for advancing consumer interest, and any public interest toolbox would be incomplete without them.

I am the first to admit that deregulation for its own sake is not responsible policy. What is good policy is to carefully examine rules to determine if they are actually achieving their stated purposes, or if, instead, they are, in fact, denying consumers value by impeding efficient market developments that these consumers would welcome. Regulations are not innocuous simply because they are promulgated in the name of consumers. No matter how worthy the purpose, rules that constrain markets can, in fact, deny or delay benefits to the consuming public. There are many examples of deregulation by the Commission that were met with fierce claims that consumers would suffer as a result. When the deed was done, however, we often witnessed instead, the flourishing of innovation and competition, from which consumers benefited magnificently. Let me give a couple of examples:

### **Mobile Phone Services**

Before 1993, many argued that we should not open up the wireless market. It was thought that two competitors in the cellular market were certainly more than sufficient. Since that market was opened and PCS introduced we have seen a phenomenal explosion in innovative, digital wireless services. Nearly 85 percent of the nation has access to 4 or more wireless carriers, and nearly 50 percent have access to 6 or more. Innovation has flourished with new handsets and services. Prices have persistently declined. *One-rate* plans and buckets of minutes have increased penetration and minutes of use. After just seven years, 40 percent of every American man, woman and child has a mobile phone.

### **Cable Television**

Many argued against eliminating FCC rules that prohibited importation of distant signals by cable companies, because the competition would harm broadcasting and local programming. Of course, the result has been that cable flourished. A very large majority of Americans subscribe to this pay service, and have benefited from hundreds of new cable networks offering diverse and niche programming, as well as 24-hour news programming that has established a vital place in American public affairs. Moreover, the growth of cable carriage of local broadcasting (even before must carry) equalized the UHF disadvantage vis-a-vis VHF, which led to the creation of a fourth TV network (FOX), as well as WB, UPN, PAX and a number of Spanish language networks. The arrival of DBS is similarly revolutionizing the video market, particularly after Congress deregulated by removing the restrictions to carrying local signals.

It is evident to me that deregulation, though not always the right answer, often dramatically advances the options available to consumers, lowers their bills and brings them higher value.