

# IT'S ALL POLITICAL

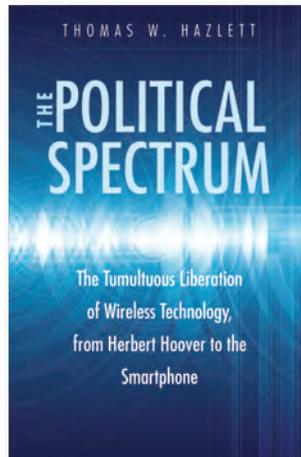
You may think we are doing well with spectrum, but this book soon dispels that idea. Getting politics out of the way and truly liberalising spectrum is the only way

Thomas Hazlett's book, *The Political Spectrum*, is subtitled "The tumultuous liberation of wireless technology, from Herbert Hoover to the smartphone". It is of course about radio spectrum – which he says is a natural resource likely to be more critical to human progress in the 21st century than any other. This book treads a path between an academic textbook and a more accessible read about this vital resource, and has the overriding message that there must be more freedom to speed up spectrum use. Hazlett's approach can be summarised in this remark towards the end of this highly detailed book: "Spectrum allocation has a long history of paradox. The best tool for understanding it is not the physics of radio waves but in the economics of public choice, which explains how special interests craft political coalitions and ally with regulators to distribute favours that bless the anointed while shorting entrepreneurial risk taking."

No surprise, as Hazlett is a free market thinker – currently he is an economics professor at Clemson University in the US and is a veteran of regulatory measures in the US communications sector, being an early proponent of spectrum auctions and refarming TV bands. In *The Political Spectrum*, he pulls off the feat of knitting together the history of communications in the US with current events and challenges. Arguably the US has been the cradle of innovation and liberalisation – but Hazlett also brings in international examples where appropriate.

What's more remarkable is that Hazlett has managed to make the topic interesting to a lay audience while also providing copious detail for those in the field. He starts by detailing what is also remarkable – the rapid transformation from TV and radio of old to the mobile app and smartphone world of today – but despite this says we are "swimming in underutilised frequency spaces", and each leap forward in allocation is painfully slow, some 6 to 13 years. That's not because regulators lack goodwill – but their systems encourage regulatory gridlock as incumbents step in to head off innovation, and there is usually an appeal to 'technical reasons' why something can't be done (which he illustrates amusingly with a trip he made to the Czech Republic where just one private TV channel had been allocated from 27 bidders).

In a chapter, 'Dances with regulators', he mentions the most famous speech ever by an American regulator, in 1961, when the then FCC



*The Political Spectrum: The Tumultuous Liberation of Wireless Technology, from Herbert Hoover to the Smartphone*, by Thomas Winslow Hazlett, is published by Yale University Press

chief lambasted TV broadcasters for producing worthless programmes but then proceeded to help protect them from the emerging cable operators. Cable of course became deregulated and content mushroomed, and then mobile phones took off owing to some liberalisation, but Hazlett says that at best, just 15% of prime spectrum (below 4 GHz) is allocated to liberal licences in the US, which is among the more liberal regimes worldwide. The 1927 Radio Act, he notes "still governs US spectrum allocation".

There's a good deal of colourful history – and colourful characters – to savour in this book, which covers also the FCC forerunner, the Federal Radio Commission. And as Hazlett notes: "Every government reflexively seeks to control emerging media" (such as the UK forcing pop radio stations to operate offshore on ships as 'pirates'). He fires a broadside against the concept of 'public interest', saying such determinations often undermine competitive forces and innovation.

We are introduced of course to key thinkers, notable economist Ronald Coase, whose vision of property rights in spectrum did come to pass around the world, and Hazlett quotes the UK's Martin Cave saying that "the government's overarching principle is to expose all spectrum users to the opportunity cost of the spectrum which they occupy". So with the boom in mobile networks and devices in the past



**What's the answer to all this? Hazlett says it is 'auction overlay rights'**

15 years, what's not to like, he asks. A lot, is his answer, because of incumbent power and regulatory inertia that

delayed the data networks that would host the smartphone revolution.

He says innovation can be stifled through partial deregulation, which can force newcomers to disclose their business models and then compete against incumbents. Naturally, he also takes aim at auctions designed mainly to maximise revenue. But there has been great success in liberalising the 700 MHz spectrum band for 4G in terms of consumer surplus – "No other newly allocated bandwidth comes close" – and he notes success too in deregulating unlicensed spectrum (e.g. Wi-Fi).

And what's the answer to all this? Hazlett says it is 'auction overlay rights', which paves the way for spectrum sharing. He includes an 8-point agenda to achieve such rights, and overall the drive should be to depoliticise spectrum and therefore make his book redundant. There is much to enjoy and learn in this book, even if you are not naturally a free market thinker.

**Marc Beishon**