



An Honest Policy Wonk

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..... Captured regulators routinely take the blame for the ills of regulatory policy in electricity, telephony, and broadcasting. "Captured regulator" has been a pejorative term in these industries for decades.

It's hard to say when it happened exactly, but this conversation migrated into electronics and the commercial Internet in the past decade, as both industries melded with communications and media businesses. Pieces of the topic even show up in the net neutrality debate.

Quite a bit of nuance got lost in the migration. While many episodes in the history of telephony and broadcasting illustrate regulatory capture, even the theory's proponents know about exceptions—namely, situations that ought to have been captured but were not. For example, consider the Internet's birth. There were numerous opportunities for regulatory capture in the Internet's transfer out of government hands, and, yet, capture theory only explains part of the events and not the entire outcome.

I will refer to other episodes below, but for now, take that example as motivation for modifying the popular theory of regulatory capture. When does the regulatory environment work despite the tendencies toward regulatory capture? As best I can tell, the explanation has something to do with the presence of an honest policy wonk.

Captured regulators

The classic theory of regulatory capture focuses on what happens after the ink dries on a statute. The classic theory focuses on what administrative agencies do with their discretion when legislatures are occupied with other matters, which is most of the time. Agencies write and implement regulatory rules, and that matters for outcomes.

The theory stresses that regulators tend to favor the firms they regulate. For example, when regulations involve technical or legal jargon, firms invest in changing nuanced language to favor their desired outcomes. Firms also invest more than anyone else in the hearings and administrative processes that shape regulatory outcomes. This arises especially when a regulation sharply impacts the firm, while shaping others in only diffuse ways. In an extreme case, as when entrepreneurs and future entrants don't exist, captured regulators take the easy way out, sacrificing the unrepresented future to the expediency of the present.

Odd as it may seem, both the far left and far right agree on one thing—namely, how bad regulatory capture is for society. It leads to administrative decisions that exclude entrants, neglect users, choke off innovation, and make dynamic markets more static. The left and right do not agree on what to do about captured regulators, however.

The left cites capture theory to support arguments for more transparent

regulatory processes and statutory limits on lobbying. Although that's not a crazy request, popular requests for transparency often overstate its importance. For example, there's nothing wrong with lobbying if it helps a firm educate regulators with useful information. Moreover, transparency can't solve lack of representation, as when entrepreneurs don't yet exist.

The right, in contrast, cites capture theory as justification for low expectations about administrative action, and, therefore, as a reason to limit administrative discretion altogether. This also isn't crazy, but it too gets overstated in popular argument. Captured regulators can stifle innovation, to be sure, but any observer with his eyes open has seen monopolies suppress innovation from competitors. Doing something imperfect to stop a monopoly can seem far better than doing nothing.

Those popular mischaracterizations are just a warm-up for my ire today, however. In this column, I focus on a missing player in the popular paradigm—an honest policy wonk.

What is it?

Describing an honest policy wonk is a bit like describing an elephant. If you've never seen one, a description in words will sound odd.

Here is what an honest policy wonk is not: it can't be bribed; doesn't suppress

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information, even to save someone in a powerful position from embarrassment; doesn't decide new rules behind closed doors after consulting with a few executives; doesn't toe a demagogic line merely because the party in power desires it.

However tempting it might be to believe that only those you agree with can be honest policy wonks, they arise on all parties. Honest policy wonks can be Republicans or Democrats. (Captured regulation arises in both parties too, by the way.) That happens, naturally, because two honest policy wonks can have sincere disagreements with one another about the right direction for policy.

What does an honest policy wonk look like? It also seems to combine the passion of a self-sacrificing crusader with the pragmatism of a bureaucrat.

As example, consider Alfred Kahn, probably the most well-known honest policy wonk in modern times. On leave from his regular position teaching at Cornell University, he chaired the Civil Aeronautics Board in the mid-1970s. Working with both Democrats and Republicans, he made efforts to change the bloated and complacent industry he saw in front of him. Most participants in the airline industry were cozy and didn't want to be deregulated, but Kahn pushed removal of regulation with simple logic and persistent charm. He removed unnecessary regulatory limits on firm pricing, also allowing new entry into underserved routes. Fliers benefited. The low-cost airline eventually resulted, with Southwest Airlines being the largest of these today.

Among Internet historians, J.C.R. Licklider has the look of an honest policy wonk. Historical accounts portray an unassuming visionary living at the boundary between science and engineering. Only a few of his contemporaries grasped what he was doing. He had a touch for the pragmatic levers of administration, and foresaw how DARPA—a young sub-agency in the Department of Defense—could play a nurturing role that no other agency ever quite had,

developing several entirely new research communities. That included a community oriented around packet switching, which led to the experiments that later became the Internet.

Many honest policy wonks arise in less-glamorous settings. Much of that is just as admirable, precisely because this is the setting where tendencies toward captured regulators ought to arise, but do not.

Probably the closest I got to a group of honest policy wonks was at a meeting in late 1995 of mayors and city managers from small towns in central Illinois, sponsored by the policy group at the University of Illinois at Urbana-Champaign, where I was employed at the time. They gathered to discuss barriers to growth in each of their cities, sharing tips with one another. At one point, they discussed how to get ISPs into their towns to connect businesses and residences. Frankly, I found it rather inspiring to watch. The discussion focused largely on mundane topics, rights of way and permits, federal and state authority over interconnection, and other details of deploying the Internet.

In my lifetime, I've also been able to watch a number of honest policy wonks in another area, experiments to alter traditional command-and-control in spectrum allocation within the United States. Almost by definition, spectrum policy wouldn't get a politician applause anywhere except, perhaps, in the lecture halls of MIT. Yet, in the past three decades, countless government employees have tried to bring about positive change, and the US has benefited. These changes enabled the creation of Wi-Fi (IEEE standard 802.11) on unlicensed spectrum, for example. It supported the third- and fourth-generation (3G and 4G) wireless infrastructure today. There are countless other less-visible gains as well. Yet, the typical man on the street probably couldn't name a single person who made this happen.

Why act this way?

Both nature and nurture contribute to the presence of honest policy wonks.

The nurturing part requires a lifetime of political science to understand. Looking around the globe, for example, honest policy wonks tend not to survive in the absence of the rule of law. Yet, no simple observation explains why. Although democratic institutions seem to be a necessary condition for their presence, such institutions are hardly sufficient. To appreciate the latter point, recall that US telephone industry history had dozens of captured regulators for years.

Nature plays a part, too—or, more precisely, a person's character plays a role. Why does somebody pass up financially convenient options and do what they consider right? Why does somebody maintain his integrity when it would be easier not to take a stand? Why does an employee stay late after work when she collects no overtime? The explanation lies outside the realm of economics.

How else should I explain why so many engineers spend so much time designing standards in public committees that benefit the entire industry? It's easier to fall back on ethics for an explanation, or even the human urge to leave a legacy or, possibly, to simply help society. Designers also might worship great designs for their own sake, as something aesthetically pleasing or as a manifestation of an engineer's code of conduct.

The same observation applies to the motivating example, the birth of the Internet. Many computer scientists devoted their careers to building the network. To be sure, a few were crusaders, but most were as hyperrational as any scientist on the planet. Yet, get anyone from the generation who rolled out the network to reflect on it, and few will say they did it for self-serving reasons. Most wanted to help change the world, making it a better place.

What an observation. Principled behavior and the stubborn pursuit of ethical norms act as an antidote to the distortions of regulatory capture and self-serving conduct. Is that ironic or just plain common sense?