

Is McCain a high-tech leader?

Eli Noam SEPTEMBER 16 2008

With the American electoral season now in high gear, the question for high technology oriented voters is how to decode the candidates. Given the prevalence of high-generality, committee-crafted, carefully calibrated position papers, the right way to proceed is to watch not what a candidate says he will do but what he actually did.

The focus of this column is John McCain. Much has been made of Mr McCain's maverick status. Nowhere is this more in evidence than when he, alone among Republicans in both chambers of Congress, and one of only five senators of either party, voted against the 1996 Telecom Act. It is a fact often mentioned but rarely analysed.

Mr McCain's action helps us to weigh his strengths and weaknesses. The three basic models for political figures are to be a pragmatist, or a purist, or a leader; that is, being results-oriented, ideological, or transformational. Which one is Mr McCain?

For many years, there had been wide agreement among all participants that the 60-plus years-old telecom law needed change. The problem was only that each of the influential private and public stakeholders had different ideas on what kind of change. In years of efforts under the stewardship of Senator Larry Pressler of South Dakota, a fragile bill slowly and fitfully progressed through the legislative process. Rival industries were drawn into the process by various sweeteners until they bought into a Grand Bargain. The bill gave something to most private stakeholders – Bell phone companies, long distance companies, new-style phone companies, radio and TV broadcasters, and cable TV operators. It also incorporated provisions supported by watchdogs over morality, thousands of school districts, the Clinton White House and the state utility commissions.

With a broad array of assertive and deep-pocketed interest groups in rare agreement, Congress, with a sigh of relief, signed on to the industry compromise and passed the mammoth 750,000 word law with near unanimity.

From one perspective, this law represented a high moment in legislative crafting and of the pragmatic approach to politics. It took a gaggle of contesting interests, shaped a reform they could all buy into and everyone was better off. But from another perspective, it also represents the classic Washington approach. Allegedly, it was the most-lobbied bill in congressional history. Mr McCain disdainfully called the law a “mishmash of compromises”, an “elaborate influence-peddling scheme” and “the biggest rip-off since the Teapot Dome Scandal.”

Was he a purist, then? In part, Mr McCain wanted to present himself as beyond lobbyists’ reach. This was part of his personality, but also especially timely after he had been unfairly tarred by the Keating bank investigation. He therefore detached himself from the grubby process rather than aspiring to shape it. Later, when he became the chairman of the powerful Commerce Committee, he did not choose to expend political capital by revising the law’s parts he found objectionable. But it would be wrong to dismiss Mr McCain’s opposition as mere posturing. Mr McCain viewed the law as spawning too many restrictions, as regulating in order to deregulate and he wanted no part in this. He also believed that the internet subsidy programme for schools, libraries, and hospitals would become a boondoggle. His proposal, for telecommunications, was instead to give all contestants a period of adjustment, with a date certain for deregulation. After that, it was swim or sink.

Was Mr McCain right? The next years proved his foresight. After protracted upheaval, even under the new law with its numerous regulatory protections, the Bell companies prevailed anyway against their telecom rivals, as they gained advantages in the marketplace, the FCC and the courts. Such a result could have been reached under Mr McCain’s approach faster and cheaper – the costs of lobbying and litigation were horrendous. Hundreds of lawsuits were brought in appellate courts alone and cut off parts of the package. Even greater was the cost of delay and uncertainty. Thus, the Grand Compromise proved to be a ceasefire, not a constitution. But that’s easier to say with hindsight.

But at the same time, telecom competition emerged from different directions than generally expected, primarily from established cable television companies. But their telecom entry over the broadband internet did not really require a new law, only entrepreneurialism, risk-taking and access to capital. The phone companies had to catch up and the result is the present strong investment in fibre upgrades of the infrastructure.

On the other hand, the substantial loosening of ownership restrictions of media created a wave of mergers and acquisitions, and, soon, a major public backlash from both sides of the political spectrum. This seems to have caught Mr McCain (and his favourite FCC Chairman Michael Powell) by surprise. When this opposition erupted, they could marshal few allies outside corporate boardrooms and conservative think tanks.

Omitting the eye-glazing minutiae of telecom policy, what does this bill tell us about the candidate?

- 1) most obviously, courage to take a stand
- 2) an ability to look ahead
- 3) difficulties in gaining allies

On this particular legislation Mr McCain was stronger on vision than on political craft. He was stronger on purity than on pragmatism. His approach was less to weave a tapestry than to advocate cutting the Gordian knot. But when another military man, Alexander the Great, had done just that, he already had tens of thousands of fervent followers ready to march with him to the end of the earth. It is this leadership aspect of politics – not just being right and standing up to principle, but also motivating followers, especially among hard-to-excite centrists – that will make or break Candidate McCain against his inspirational rival, and possibly a President McCain against a business-as-usual capital.

The writer is professor of finance and economics at Columbia University