

STATEMENT OF CHAIRMAN AJIT PAI

Re: *Establishment of the Office of Economics and Analytics*, MD Docket No. 18-3.

When I announced plans to strengthen the role of economics at the FCC, I identified several problems I thought it was important to address. First, staff economists weren't guaranteed a seat at the policy-making table. Second, notwithstanding a rapidly converging marketplace, economists worked in policy silos. Third, cost-benefit analysis was too often ignored. And fourth, data was not particularly well collected or managed across the agency.

Today, we create the Office of Economics and Analytics (OEA). I look forward to this change, which is the first official step toward remedying each of these problems I mentioned. Notably, this reform has a bipartisan roster of support from people who care about incorporating economic analysis into policymaking. For example, the former head of President Obama's Office of Information and Regulatory Affairs (and my former professor), Cass Sunstein, has cited our plan to create the Office, calling it a "[p]romising idea from [the] FCC."¹ And his predecessor in the Bush Administration, Susan Dudley, has called the OEA's creation "an important first step . . . [toward] improving the basis on which the FCC makes its decisions."²

But the plan for achieving our goals goes beyond a mere organizational change. As explained in the Working Group report released three weeks ago, we also will adopt new operational practices to make sure economics does in fact play a larger role at the FCC. For instance, much like at the Federal Trade Commission, the OEA will provide Commissioners with a memorandum discussing economic issues implicated by all circulated items. And we'll now conduct a rigorous cost-benefit analysis for rulemakings estimated to have over \$100 million of economic impact. Behind the scenes, we'll also be working hard to integrate OEA staff into the day-to-day policy work of the Bureaus.

I also look forward to reigniting the culture of big-picture policy thinking that used to be so common among economists at the FCC. With most economists working closely together in the same office, I expect there will be unique opportunities for intellectual exchanges. In that environment, I want the Commission's economists to be able to ponder the next set of difficult issues and consider how economic insights might help address them. White papers represent one way they could do that. Traditionally, our economists have drafted white papers that have been significant drivers of major policy innovations, like the incentive auction and price cap regulation. Since 1980, FCC experts have submitted nearly 90 papers. Since 2012, that number is zero. Our aim is for the new Office to have a culture of inquiry in which long-range policy research is valued as much as bread-and-butter analysis of current proposals and orders.

Now, some argue that our commitment to conducting cost-benefit analysis is somehow an attack on the public interest standard set forth in the Communications Act. But thoughtful cost-benefit analysis has historically been a bipartisan tradition. Both the Clinton and Obama Administrations issued guidelines on this topic—guidelines which the Trump Administration's Executive Order 13771 directs agencies to follow.³ And in 2011, President Obama's Jobs Council called for separation of economists

¹ Cass Sunstein (@CassSunstein), TWITTER (Jan. 17, 2018, 2:22 AM), <https://twitter.com/CassSunstein/status/953573300210405376>.

² Susan E. Dudley, FCC Votes To Elevate Economic Analysis, *Forbes* (Jan. 26, 2018), <https://www.forbes.com/sites/susandudley/2018/01/26/fcc-votes-to-elevates-economic-analysis/>.

³ Exec. Order 13771, Presidential Executive Order on Reducing Regulation and Controlling Regulatory Costs (Jan. 30, 2017), <https://www.whitehouse.gov/presidential-actions/presidential-executive-order-reducing-regulation-controlling-regulatory-costs/>.

from program offices (as we are doing today) so that functions like cost-benefit analysis could be carried out with integrity.⁴

Additionally, some may say that if certain costs or benefits are hard to quantify, we shouldn't even try. But that view deeply misunderstands cost-benefit analysis. Far from rejecting the public interest standard, cost-benefit analysis allows us to intelligibly apply it. And the alternative to trying to quantify costs and benefits is far worse: It's essentially putting your finger in the wind and making it up as you go along. I can see the appeal of this approach for those who might see principles of economics, like provisions of law, as little more than an inconvenient speed bump that one would rather navigate around. But it is no basis for reasoned, evidence-based decision-making by an expert agency.

Getting to this point required extraordinary effort by our staff, because we truly started from scratch. Thank you to those who have worked so hard planning for this Office, particularly those on the Working Group: team leader Wayne Leighton, Mindy Ginsburg, Sasha Javid, Jay Schwarz, Royce Sherlock, Walt Strack, and Rodger Woock. The Working Group met frequently during 2017, conducting dozens of internal meetings with staff and nearly 50 meetings with outside parties to gather information about how to best design this Office.

I'd also like to thank Rosemary Harold from the Enforcement Bureau; David Krech and Jim Schlichting from the International Bureau; Brendan Holland, Andrew Wise, Mary Beth Murphy, and Michelle Carey from the Media Bureau; Ashley Boizelle, Linda Oliver, Bill Richardson, and Ryan Yates from the Office of General Counsel; Dan Daly, Marlene Dortch, Holly Finney Tom Green, Katura Jackson, Jason Lewis, MaryKay Mitchell, Lori Senft, Deena Shetler, Larry Shields, and Ellen Standiford from the Office of the Managing Director; Jerry Ellig, Amaryllis Flores, and Sean Sullivan from the Office of Strategic Planning and Policy Analysis; Lisa Fowlkes, David Furth, Debra Jordan, Lauren Kravetz, and Erika Olsen from the Public Safety and Homeland Security Bureau; Kris Monteith, Kirk Burgee, Joseph Calascione, Madeleine Findley, Trent Harkrader, Lisa Hone, Sue McNeil, Thomas Parisi, Eric Ralph, Steve Rosenberg, and D'wana Terry from the Wireline Competition Bureau; and Paul D'Ari, Aalok Mehta, Dana Shaffer, Don Stockdale, Suzanne Tetreault, and Margie Wiener from the Wireless Telecommunications Bureau. The benefits of your labors have far exceeded the costs.

⁴ President's Council on Jobs & Competitiveness, *Road Map to Renewal* 45 (2011), http://files.jobs-council.com/files/2012/01/Jobscouncil_2011YearEndReport1.pdf.