

Deregulation and the Changing Role of the State: From the AT&T Divestiture to the 1996 Telecommunications Act

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Introduction

This research examines some of the public discourse surrounding two watershed moments in US telecommunications deregulation—the AT&T divestiture and the passage of the 1996 Telecommunications Act. Drawing upon news stories in the *New York Times*, *Newsweek*, *US News and World Report* and *Wired*, this paper identifies some of the primary ways in which the government is framed in this coverage, and examines how assumptions about the role of the state shifted during these two periods of deregulation. These publications, chosen for their wide circulation, can be viewed as a means for examining public discourse, revealing some of the dominant ways in which the government was publicly perceived during these policy moments. While the primacy of particular discourses in the media cannot be directly linked to policy shifts, this analysis shows what frames of the government were most available in these arenas of public discourse during these periods.

Longitudinal analysis of these print media discourses during the AT&T divestiture and the 1996 Telecommunications Act can offer insight into evolving public concerns with free market policy and the changing role of the state in the emerging deregulatory regime. As traditional rules governing broadcast and telecommunications industries are lifted, the state is cast in a variety of roles, which are sometimes contradictory. Tension between these roles is evident, as the government is cast into the seemingly paradoxical role of actively enforcing deregulation. Also, in both cases of the AT&T breakup and the Telecommunications Act, negative conditions perceived as resulting from the divestiture and 1996 legislation, such as higher prices and industry tumult, appear to spawn calls for increased deregulation, so that the policy trend gains momentum despite negatively perceived results. These tensions will be examined in greater detail below, in an analysis of the press coverage surrounding the two historical policy moments.

Although causal links between discursive conditions and policy choices would be impossible, this paper argues that the discursive environment, or the way in which people agree to define and discuss issues at particular historical moments, is a factor in the eventual outcome of policy debates. Popular discourse, in the form of mainstream press coverage, is one means of gauging dominant discursive conditions that can make certain ideas about government involvement and public interest more available, while restricting other discursive possibilities.

The next section of this paper discusses the method of analysis employed in this research. This is followed by a brief discussion of some of the issues that appear in this paper, including the significance of media and public discourse, and shifting assumptions surrounding the concept of the public interest, especially within a deregulatory milieu. After reviewing these topics, the paper proceeds with a discussion of the results and analysis, examining the primary frames of government appearing in the selected articles during the AT&T divestiture and 1996 Telecommunications Act.

Method

This research relies upon articles from several popular publications to establish a sense of dominant public discourse surrounding these policy moments. Articles were selected through online search engines, *Lexis-Nexis Academic Index* and the *Wired Magazine* archive, using particular search terms.¹ These searches focused on articles from the *New York Times*, *Newsweek* and *US News and World Report*, searching headline and lead sentences. Full text searches were done in the *Wired Magazine* archive, which did not allow headline and lead sentence search specification.

Once articles were selected, each was read repeatedly, in order to encourage inductive coding analysis, resisting the imposition of preconceived notions of the articles' framing and perspective. Categories and sub-categories of coding emerged over time, with articles sometimes occupying multiple categories. Interpretation of texts is assumed to be subjective, and issues of reliability and validity have been approached through techniques of researcher reflexivity, analytic memo writing, constant comparative analysis and analytic induction. As each article was assigned to various categories and sub-categories, the analysis looked for connections between categories and across time.

¹ Searches for articles on the AT&T divestiture used the terms "AT&T" and "American Telephone and Telegraph" between the years of 1980-1985; searches for articles on the 1996 Telecommunications Act used the terms "telecommunications deregulation" and "telecommunications act" between the years of 1994-1998. Searches for articles on the AT&T divestiture in the *New York Times* focused only on articles appearing on the first page of any section, in order to reduce the large number of articles in the sample. Because the 1996 Telecommunication Act received considerably less coverage, the searches included articles on all pages of the newspaper.

The *New York Times*, *Newsweek*, and *US News and World Report* were selected as representations of mainstream public discourse due to their high circulation numbers and status as well established, mainstream sources of news in the US. *Wired Magazine* was selected as an alternative source because of its specialized audience and status as a cultural product of the 1990s technophile culture (Borsook, 2000). Because *Wired* was not published until 1993, it was not included in searches for the AT&T divestiture. None of the periodical searches save that of *Wired* included any coverage of the Telecommunications Act and its development before the beginning of 1996, when the Act was actually passed, despite the fact that the overarching policy reform legislation was developing for nearly four years before its final enactment.²

Media and Discourse

This project has chosen to examine public discourse through prominent US media sources, which are assumed for the sake of this research to reflect dominant frames of national issues. Media discourse can both reflect and promote particular agendas, acting as a lens to emphasize certain aspects of an issue while minimizing others. William Gamson suggests that for most people, media dominates the “issue culture,” heavily contributing to the perception of a situation as a significant issue (1988, p. 170). Policy stakeholders make use of the ability of media to define public issues, and news media are a means for policy actors to push particular agendas, so that media is not simply a reflection of issues and events. Institutional constraints also affect what news gets reported and what news gets ignored. Media producers are concerned with *newsworthiness*, the making of interesting and important news (Cook, 1989). If an issue cannot be reduced to easily understandable language and does not have a promotional hook, it is less likely to be reported as news. In this way, news is constructed, and is not a natural reflection of events.

Other analyses of news production share this position of interpretative flexibility, while also agreeing that speech, especially media content, shapes reality. Murray Edelman acknowledges the “radiating networks of meaning” surrounding social actors, suggesting that political objects, accounts, and people constitute a “meaning machine” that works not with objective facts but with meanings that reflect and perpetuate certain ideologies (1988, p.10). Edelman’s perspective has little confidence in individual agency in the face of institutional media, whereas Timothy Cook sees opportunities for symbiotic relationships between policy actors and media sources.

² Standard newsroom practices are one explanation for this startling silence—the complexity and abstraction of the legislation may have discouraged mainstream news from devoting many stories to its development. Whereas the breakup of Ma Bell held immediate and concrete consequences for many Americans, the fruits of the Telecommunications Act, such as the spate of mergers in 1997 and 1998, were often framed in financial and regulatory terms, with little relevance for average citizens other than vague predictions of eventually lower prices and greater consumer choice.

Another important aspect of US news is its commercialism. Because US news consists of commercial publications or shows on commercial networks and stations, stories must have the power to attract an audience and thus, advertising money. To achieve this, news writers employ techniques of typification and framing to make issues familiar and understandable to audiences (Best, 1999; Reinerman & Levine, 1999). Simplifying issues and communicating stories through reference to particular characterizations allow commercial news media to translate complex, detailed conditions into more easily digestible formats for audiences. In doing so, news writers tend to narrow the issue at hand, limiting other possible narratives. An example of this can be seen in the early reportage surrounding the digital divide crisis: News stories focused on the digital divide as an issue of computer access, rather than considering other influences, such as education, training, or cultural pressures. As John McManus points out, the profit-oriented nature of U.S. news production profoundly affects its content. “[N]ews, rather than the ‘reflection of reality’ that its producers have sometimes claimed it to be, becomes a commodity to fit the market demands of a collection of special interests” (1994, p. 35). These special interests include the desires of advertisers, as well as news company investors, and the parent company of the news production facility—often a major media firm these days, due to intense industrial consolidation.

In addition to these everyday institutional constraints of audience taste and advertisers’ desires, media products also are affected by ownership. National media outlets are generally owned by large multinational firms with interests in maintaining particular political and policy arrangements (Schiller, 1999; Herman and McChesney, 1997). While ownership may not directly influence content and editorial decisions, industrially dominant media companies can be regarded as both reporting and shaping policy formation as well as actual media content. At the same time, the economic constraints of for-profit media also influence the ways in which issues are reported, and this is another way media can discursively influence the choices available to the reading and viewing publics. One example of this is the mainstream coverage of the 1996 Telecommunications Act. Although this Act is the most radical change in telecommunications policy since the 1930s, issues surrounding the Act are underreported in proportion to the scope of the changes it heralds: the intricacies of telecommunications policy generally does not sell papers. An exception to this might be the 1984 AT&T divestiture, which was much more thoroughly covered in the press, especially in terms of what the breakup meant for everyday telephone users.

Deregulation and the Public Interest

Varying definitions of the public interest are implied in the media discourse examined in this analysis. This section briefly explores the relationship between different forms of regulation, the role of state involvement, and the public interest. There is a general agreement among many principal communication and policy scholars that the role of the state has shifted considerably in the last few decades, so that deregulation is a significant trend (Horwitz, 1989; Aufderheide, 1999; Schiller, 1999; Castells, 1996; Mosco, 1988).

Traditionally in US telecommunications policy, the state has been viewed as a protector of consumers' and citizens' interests. Historically, state regulation of crucial infrastructures including communications is rooted in the attempt to provide stable, nationwide networks within an economic system based upon private property. The state-regulated monopoly AT&T provided the advantages of monopolistic ownership structures, streamlining interconnections and discouraging inefficient duplication of infrastructure (Horwitz, p. 152). State oversight was meant to protect against the traditional dangers of monopolies, such as price-gouging, while encouraging an ideal of universal accessibility. Other communications networks, such as broadcasting, were brought under federal regulation due to spectrum scarcity—because the broadcast spectrum was viewed as a limited public resource, the 1927 Radio Act created the Federal Radio Commission, or FRC, to act as a steward of the public interest, preventing private parties from taking unfair advantage of this public good (Horwitz, p. 119). Despite an economic system based on private ownership, state intervention was considered justified in certain infrastructural industries (Horwitz, p. 13). Regulation was intended to protect the public interest but over time, definitions of the public interest as well as technological circumstances shifted, justifying changes in the regulatory role of the state.

There are a variety of explanations for the rising dominance of deregulation as a successful communications policy solution. The current trend of deregulation, the reduction of the state's traditional role of overseeing and sometimes intervening in infrastructural industries, has accumulated a variety of supporters, from private business to the regulatory bodies themselves. Deregulation acted as a lightning rod for a wide spectrum of ideologies in the 1970s, from free market economists to liberal political activists unhappy with traditional state regulation (Horwitz, 1989; Aufderheide, 1999). While some policy analyses understand deregulation as a trend driven by multiple factors and coalitions of stakeholders (Aufderheide; Horwitz; Streeter, 1996), other literature focuses on specific forces encouraging a reduction of traditional regulatory roles, such as the increased influence of private firms, often corporations with a global reach (Schiller, 1999; Herman & McChesney, 1997).

Deregulation has also been addressed with explanations more internal to the policy arena. One frequent criticism is that regulatory agencies have been captured by the industries they were intended to regulate. "The implication of capture theory is that a captured agency *systematically* favors the private interests of regulated parties and *systematically* ignores the public interest" (Horwitz, p. 29, italics Horwitz's). Robert Horwitz finds capture theory inadequately historical in its explanation of regulatory activity, although he acknowledges its historical popularity as a justification of deregulatory goals. This conceptualization of traditional state regulation as inefficient and self-serving has appealed to diverse populations, from political liberals to liberal market economists and academic policy analysts, and has assisted in forming broad coalitions to support deregulatory strategies (Horwitz; Aufderheide). This effort to roll back the regulatory powers of supposedly captured agencies is ironic, however, in that it is often accompanied by an appeal to free market economics. Agencies were criticized for being

in bed with industry, but industry was looked to as a means of better regulating the economy. As Patricia Aufderheide notes, “a common rallying point was the goal of getting politics out of an economic process (p. 24). Deregulation was a multi-faceted solution, one that appealed to a variety of policy stakeholders.

Another frequent justification for reduced state oversight in infrastructural communications industries has been technological innovation. As spectrum use became more efficient, the concept of the broadcast spectrum as a scarce resource became more difficult to support. Likewise, the introduction of communications networks outside of AT&T, such as MCI’s microwave service, supported the argument that AT&T’s cross-subsidy arrangement was no longer viable (Aufderheide, 1999; Horwitz, 1989). Technological innovation had provided alternatives to AT&T’s regulated monopoly, so that competition could be encouraged in the telephone market. These arguments also rely on the assumption that competition is beneficial to the users of communication infrastructure. While Horwitz and Aufderheide acknowledge that the argument of technological progress has been a significant contributor to the deregulatory trend, both suggest that it is one factor among many. Other analyses focus more strongly on technology as a driving force behind regulatory action. Manuel Castell’s work on the network society suggests that technological advancement has made state oversight increasingly difficult (1996). For Castells and others (Schiller, 1999; Bettig, 1997), the primary beneficiaries of this process have been multi-national firms, whose scope transcends that of the nation state. While Schiller, Bettig, and others focus on the economic and political power of the private companies that benefit from deregulation, Castells emphasizes the “technology revolution” that laid the path for these changes (p. 1). This sense of inevitability and technological determinism is characteristic of his description of the emerging network society and its power dynamics—technological progress is presented as an unalterable driving force behind processes of advanced capitalism and globalization, so that the reduced role of the state appears as an inevitable response.

The role of the state and the public interest has shifted both politically and discursively. Traditional justifications for state oversight of infrastructural industries have been discarded, so that government regulation is frequently considered inefficient and outmoded. A variety of explanations lie behind this shift. Technological innovations are alleged to make state regulation obsolete, although this argument does not acknowledge the historical role of government intervention. Technological advancement would not itself change the role of the state as a guarantor of a stable market environment. During the past few decades, substantial dissatisfaction with government regulation has developed, and one example of this is seen in the capture theory described by Horwitz (1989). Another facet of capture theory is evident in the critical analyses of Herman and McChesney (1997), Bettig (1997), and Schiller (1999), which posit that multi-national corporations have seized control of the policymaking process, directly contributing to the reduced role of the state. Castells and Schiller both mention the alignment of state and private interests, in the effort to meet global competition.

In the media coverage surveyed below, discussions of deregulation and its effects are characterized by discourses of an incompetent, inefficient state, as well as discourses of technological and regulatory inevitability. Although a few articles frame members of Congress and the FCC as biased towards particular industries, this discourse of implied “capture” only occurs rarely. Aufderheide and Horwitz observe the broad agreement that has coalesced around deregulatory policy in recent decades, and this sense of acceptance is evident in the media stories examined here. Although deregulatory actions such as the AT&T divestiture, which spurred competition in the long-distance industry, and the 1996 Telecommunications Act, were associated with a variety of fears and negative results, deregulation itself is generally unquestioned and in some cases, increased deregulation is implied to be the best solution to resulting problems. At the same time, there is also significant coverage framing the state as a needed protector and moderator of deregulatory processes, although this discourse tends to fade at the end of both periods.

The AT&T Divestiture

The court-ordered divestiture of AT&T marks a rich moment in US telecommunications policy discourse. While deregulation was already underway in the airline and trucking industries, strong debate surrounded the issue of telephone deregulation. The Reagan Administration brought several key proponents of deregulation to the stage, including William Baxter, chief of the anti-trust division of the Department of Justice, and Mark Fowler, head of the Federal Communications Commission. While President Carter had supported some reduction of regulatory oversight during the 1970s, representatives of the Reagan Administration were even more outspoken in their desire to promote free market commerce, with minimal government interference. Despite these pro-deregulatory influences in the new presidential administration, there was still a strong sense of uncertainty surrounding the deregulation of the telephone network, and this is evident in the press discourse of this period, from 1980 to 1985. Many of the arguments surrounding proposals of deregulation reflect a changing sense of the accepted role of the government as well as a shifting definition of the public interest. Several of these prominent discourses on the government are discussed below, gleaned from an analysis of press coverage of the AT&T divestiture from *The New York Times*, *Newsweek*, and *US News and World Report*.

The first section describes the anticipated benefits of deregulation, which received a considerable amount of press coverage in this period. Although some examples directly implicate government regulation as an obstacle to the opportunities offered by the free market, many tend to elide the government, focusing on the many advantages associated with deregulation. This celebratory discourse is based on the assumption of reduced government involvement as a path to a stronger national economy, technological innovation, and greater consumer choice. The second section looks at media discourse that frames the government as actively involved in protecting individual consumers from the anticipated price increases associated with deregulation. The state, especially certain officials, is represented as shielding consumers from the fall-out of divestiture and deregulation, implying that continued government oversight is necessary to moderate the

effects of the deregulated market. The third section focuses on fears associated with the divestiture, looking at media coverage that frames the government's regulatory choices as risky, and potentially harmful to both the national communication infrastructure and to individual consumers.

The Benefits of Deregulation

The removal of traditional government regulations on telephone equipment and service is touted as yielding a number of benefits. In the coverage examined here, the deregulation is associated with lower consumer prices and greater consumer choice, first and foremost. Other frequently mentioned reasons for deregulation include technological innovation, industry growth, and global competition. Consumer issues such as rates, choice, and technological innovation dominate most of the coverage in this period, while broader justifications of deregulation occur mainly in the earliest coverage.

The FCC, headed by Charles D. Ferris, is one of the most visible proponents of deregulation in the early period: Some of the strongest discourse against traditional state regulation can be attributed to government representatives such as Ferris and Secretary of Commerce Philip Klutznick. A *Newsweek* article from 1980 describes the FCC as “possessed with free-market fervor, revoking licenses here and deregulating companies there in an effort to spur competition” (An FCC Blessing for Mother Bell? 1980). The agency justified these actions in terms of industry development. In a *New York Times* article on the deregulation of customer premises equipment, Ferris argues against government intervention:

As long as the development of new telecommunications products was subject to the whim of the regulatory process, the evolution of this industry was subject to uncertainty. Now communications business entrepreneurs can be sure that the market and not the Government will decide their fate. They will be willing to invest more money, and the communications markets will develop more rapidly (Quoted in Holsendolph, 1980a).

As the FCC further deregulated the marketing of terminal equipment and abolished restrictions keeping AT&T from the data communications business, Ferris again praised the removal of regulation, implying that traditional restrictions had stifled the industry and technological development: “Today we have removed the barricades from the door to the information age. Government will no longer be a barrier that prevents or delays the introduction of innovations in technology” (Quoted in Shiels and Cook, 1980). This article goes on to report that the FCC “will soon urge Congress to pass simple legislation endorsing the FCC's handling of the consent decree—and affirming a regulatory agency's right *not* to regulate” (Shiels & Cook, 1980). This decision was affirmed by Secretary of Commerce Klutznick, who is described advising the Senate to “give the FCC less leeway in regulating the future telecommunications industry, evidently fearful that a less-competition-minded commission might try to restore regulations” (Holsendolph, 1980b). Klutznick's hopes for deregulation are described in terms of emerging global

competition, as he argues that “needless regulations must be lifted soon to promote growth in telecommunications so that the nation could keep up with Japan and Western Europe, who are also striving for major growth in that area” (Holsendolph, 1980b).

The threat of global competition appears in later coverage, associating a deregulated telecommunications industry with national economic strength. In a *New York Times* article on the Senate Commerce Committee’s vote to lift more regulations on AT&T, the senators are described as anticipating several benefits, including increased power in international trade. The bill is intended to “unleash new forces of competition among the suppliers of communication services and manufacturers of equipment, get innovative ideas to the market more quickly and strengthen the nation’s ability to compete worldwide in communications” (Holsendolph, 1981a). After the divestiture settlement was proposed in 1982, L.J. Bourgeois of Stanford University cited similar hopes, stating that as AT&T moved to a more deregulated environment, technological advances of Bell Labs would gain greater proprietary protections that would benefit the nation on the global stage: “To the extent this unleashes the power of research, this will help us in global competition on the technological front, especially in our competition with the Japanese” (Quoted in Wayne, 1982). By giving greater incentive to AT&T and Bell Labs to innovate, the nation would prosper economically, defeating global rivals in the telecommunications industry. These hopes surrounding deregulation imply that traditional government oversight can dangerously stifle technological innovation, not allowing industries to fulfill their potential. These discourses on deregulation frame the government as an obstacle to progress, primarily addressing national issues of industry growth and implying that the good of the nation as well as that of individual citizens lies in the strength of the economy (Hershey, 1982). Other benefits of deregulation, however, focus more closely on the consumer, revolving around greater choice and lower rates.

Choice and Price

The widened choice of consumer products and services is framed as a primary benefit of reduced regulation. In a *US News and World Report* analysis of AT&T and its potential divestiture, industry consultant Brad Perry predicts, “Consumers will see an array of telephone and telecommunications products and services which would have seemed impossible five years ago” (Quoted in Schershel, Taylor & McCann, 1981). This increasing choice is celebrated in “Owning Your Own Phone for Fun and Profit,” a *Newsweek* article that touts the wide variety of telephones now available to the consumer—from “hand painted porcelain Victorian phones” to “a garish dolphin phone with a fish-shaped receiver, complete with two eyes that light up when the phone rings”—while noting that “the economies of owning a phone are attractive” (Marbach, Copeland, Newhall, & Foote, 1981).

As the AT&T divestiture settlement was proposed, more predictions of improvements in rates and product selection were made. A *US News and World Report* article titled “Breaking up AT&T: What it means to you” states that the settlement agreement “is expected to widen the selection of equipment available to users and Bell as its

competitors battle over the expanding—and lucrative—communications market” (1982). A telecommunications analyst cited in the article predicts that customers will encounter a growing array of services on local networks, such as call screening, forwarding, and the spread of mobile communication technologies. The divestiture and expected rise in competition is portrayed as bringing advanced technologies and a greater selection of services to the home user.

In other coverage, this expanding choice is framed as almost daunting to the consumer—one *US News and World Report* article predicts that consumers “will have to cope with a dizzying array of services and equipment,” suggesting that “sharp-eyed consumers who cut through the confusion” can avail themselves of large price cuts (Taylor, 1983). Long distance providers are represented as fighting fiercely for customers, but providing very uneven service, requiring consumers to be savvier than before. The opening of the market is described as “sowing opportunity and confusion in equal amounts” as the entrance of new competitors leaves consumers with “a plethora of choices, despite frequently busy lines and less-than-perfect connections”(Taylor, Schiffres, & Hildreth, 1983). The new environment of increased choice demands a more discerning consumer, and this concern is evident in later articles meant to educate telephone customers on their new long distance options (Belkin, 1984; Pauly, Achiron, & McDaniel, 1984; Schiffres, 1984b).

News stories appearing during and after the actual divestiture frequently frame the emerging competition in long distance as a brutal battle—one that is highly beneficial for consumers. For example, a *US News and World Report* story refers to “a war for customers marked by price-cutting” while another from the same publication alludes to “a vigorous battle is being waged” for customers among over 400 competitors (Schiffres, 1984a; Schiffres, 1984b). “Total war” is expected as equal access provisions take hold, and a *Newsweek* article reports, “Consumers should benefit from the heated competition: FCC Chairman Mark Fowler predicted last week that long-distance rates would fall as much as 40 percent over the next several years” (Pauly, Achiron, & McDaniel, 1984). One entertaining example of the long distance fray is given in a *New York Times* article, which describes an MCI salesman who cleaned shrimp at a restaurant for an hour, successfully convincing the restaurant’s owner to switch long distance services (Barnes, 1984). Although the open market is portrayed as wild and unpredictable, lacking the security offered by traditional regulation, it is also framed as a rich opportunity for wise consumers.

Near the first anniversary of the divestiture, Judge Harold Greene is cited in a *New York Times* article, celebrating the technological advances and economic advantages offered by the deregulated market: “The most important part of this is innovation, the fact that competition will drive the competitors to create new products. I have no doubt that this will bring about benefits to the economy. Information will be to this period what steel and coal were 50 years ago” (Quoted in Berg, 1984). Reduced regulation is framed as the key to succeeding in the global economy, benefiting individual consumers as well as the nation while encouraging greater efficiency and technological innovation. The government is implied, and sometimes explicitly described as a potentially dangerous obstacle to these advantages—so dangerous that future re-regulation must be guarded

against. In later press, the beneficial removal of state involvement is more subtly implied, as most articles celebrate the anticipated fruits of deregulation, with little explicit reference to government entities and rules, except in recognition of their removal. This differs considerably from the coverage of the 1996 Telecommunications Act discussed below, where state representatives and agencies are repeatedly lambasted for regulatory over-involvement and the resulting obstruction of progress.

Protecting the Public Interest Through Active Regulation

While discourse focusing on the benefits of deregulation and the implied evils of overregulation is prominent in the coverage of the divestiture, it is balanced by other contradicting discourses. This section will focus on coverage that offers portrayals of government representatives providing necessary protection, shielding citizens from the negative effects of deregulation, such as higher local rates. In the previous section, the public interest is constructed in terms of lower long distance rates and greater consumer choice of products and services, as well as technological innovation, industry development, and global competitiveness. These benefits are portrayed in the coverage surveyed above as resulting from decreased state involvement in the telecommunications markets. These representations of deregulation are largely subtractive, implying that the simple removal of traditional policy restrictions on industry will allow the free market to successfully self-regulate and flourish. Whereas these portrayals tend to simply elide the state in favor of celebrating the advantages of the free market, other press from this sample frames government representatives as rightfully involved in the welfare of citizens, promoting the public interest through the support of affordable telephone access and the control of anti-competitive corporate behavior, focusing on AT&T. These representations of the government circulating in the press during this period illustrate another prominent discourse of government and regulation available in this period.

While the virtues of deregulation are represented as numerous, touted in a variety of settings, the discourse of the state as a protector of citizens is much more focused. Many of the news stories in this category feature Representative Timothy Wirth or Judge Harold Greene as spokesmen, and the articles focus on the twin goals of maintaining low local rates and restraining AT&T from anti-competitive behavior.

As the antitrust trial proceeded, there was debate over how much AT&T should be restricted from exerting its considerable power in unregulated markets. Representative Timothy Wirth headed a prominent bill intended to “restrict AT&T’s future operations in the increasingly competitive field of advanced communications” (Holsendolph, 1981c). Wirth’s legislation attempted to create more control over AT&T’s forays into unregulated industries, insisting on the formation of a separate subsidiary, so that AT&T could not subsidize unregulated endeavors with profits from regulated businesses. The House bill meant to supersede the settlement agreement of Greene’s court, and force AT&T to divest its operating companies immediately. Wirth asserted congressional authority in the regulatory process, stating, “We have always believed that policy should be set by Congress and not the courts and we intend to do just that” (Quoted in Holsendolph,

1982a). The new settlement agreement created a variety of anxieties over the preservation of the telephone system and affordable rates, and Wirth's bill is described as addressing these fears. A *New York Times* article titled "Accord on AT&T Provokes Concern Across Nation," reports that the Wirth bill is doing "a number of things to allay the fears of regulators, many present and future competitors of AT&T, and many customers" (Holsendolph, 1982b). Beyond proposing that AT&T establish a separate subsidiary to prevent cross subsidization between regulated and unregulated businesses, the bill also attempted to strengthen the position of local Bell operating companies, allowing them to support themselves after the breakup with income from pay phones and the Yellow Pages telephone book.

Wirth and supporters of the bill are portrayed as advocating limited deregulation, allowing for continued government involvement in the telecommunications industry in order to prevent AT&T from stifling its smaller competitors and in order to "maintain regulation so that the rate payer can be protected" (Wirth, quoted in Holsendolph, 1981b). Local service subsidies were to be phased out gradually, to prevent abrupt rate increases (Pauly, Ma, & Leslie, 1982). The bill, known as HR 5158, is consistently associated in press discourse with consumer protection and the promotion of fair competition, except in coverage citing AT&T representatives, who widely criticized the proposed legislation.

By the summer of 1982, the bill had been dropped. This was generally attributed to a massive lobbying campaign conducted by AT&T, which mobilized its shareholders and employees to protest the legislation (A Battle Over Ma Bell's Breakup, 1982; Pollack, 1982) Wirth's response was covered in the *New York Times*, where he argued, "AT&T's victory is a major setback for the American people and for a telecommunications industry that is one of the fastest-growing and most productive segments of our economy. AT&T is preventing Congress from making decisions that are ours to make" (Quoted in Holsendolph, 1982c). Sam Simon, director of the National Citizen's Committee for Broadcasting, is cited in the same story, similarly suggesting that the demise of the bill harms consumers: "This means, unfortunately, that the script for telecommunications policy will now be written by AT&T. Wirth's bill would have minimized the adverse impacts on consumers. Now consumers are on their own" (Quoted in Holsendolph, 1982c). In this coverage, the government, particularly Wirth and his supporters, are framed as attempting to preserve congressional authority over policymaking, while shielding ratepayers from anticipated cost increases.

As arrangements for the divestiture continued in 1983, controversy circulated around an FCC-proposed access fee, intended to supplement local operating companies' incomes after the traditional cross-subsidy system was dismantled in the breakup. This access fee generated alarm in the press, and considerable resistance in Congress. The *New York Times* reported, "A coalition of consumer groups and other critics has charged that the FCC plan would result in so sharp an increase that millions of poor Americans and those living in rural areas would no longer be able to afford telephones," and noted that the General Accounting Office had already warned that the Commission's proposal "may result in many customers canceling their telephone service" (Burnham, 1983). A *Newsweek* article describes the efforts of Congress to address this issue of rising rates:

Changing the way Americans pay for telephone service was never going to be easy. Now Congress has turned the already bewildering revolution into a political battle royale. Less than 90 days before the court-ordered breakup of AT&T, a bipartisan coalition of lawmakers is valiantly struggling to save residential consumers \$2 on their monthly phone bills (Beck, Ma, Cook, Borger, & Gonzales, 1983).

These efforts were credited with convincing the FCC to postpone the access fees until 1985, as a *Newsweek* article notes, “The compromise was clearly the result of intense election-year lobbying by politicians who opposed the fees, which they claimed would eventually help triple local phone rates” (Higher Rates are Put on Hold, 1984). Another story in *US News and World Report* suggests that the FCC was successfully “prodded by Congress” to delay implementation of the access fee (Schiffres, 1984a).

While members of Congress fought to protect their constituents from higher phone bills, Judge Greene acted to modify the original AT&T settlement agreement, including some of the provisions of HR 5158. *Newsweek* reports the announcement of these changes to the settlement in August 1982, noting that the modifications were greeted with approval by industry consultants, state regulators, and the National Association of Regulatory Commissioners, who “predicted that [the proposed changes] would bolster the strength of the Bell companies while alleviating some of the rate burden that might have been put on the customer” (Kleinfield, 1982). The request changes are reported to “help the consumer first and foremost,” slowing the rise in local rates by strengthening the financial positions of the Bell operating companies (Ma, 1982). In *New York Times* coverage of the announced changes, Sam Simon, representing the Telecommunication Research and Action Center” refers to Greene’s proposed modifications as “a pretty clear repudiation of the effort by President Reagan’s Federal Communication Commission to impose a major part of the costs of the divestiture on residential customers; this is a good day for consumers” (Quoted in Burnham, 1983). Like Wirth, Greene is portrayed as strongly supporting the introduction of greater competition, but also intolerant of local rate increases. Greene states this position clearly, arguing, “In the view of this court, it is not necessary that these favorable developments be accompanied by the imposition of higher rates for local service” (Quoted in Burnham, 1983).

Although pre-divestiture coverage portrays efforts to restrain AT&T’s dominance in unregulated markets, addressing fears of anti-competitive behavior, the majority of the press examined here focuses on the prevention of rate increases. These portrayals of the state as a protector of the common consumer are sharply focused around two proponents, Representative Wirth and Judge Greene. The coverage concentrates on a couple of key moments in the divestiture--the settlement agreement and the FCC access fee debate. In press surrounding these moments, the preservation of the public interest is strongly associated with the affordability of local service. As the proposed access fee was postponed in early 1984, this discourse of government representatives protecting the individual citizen drops off, despite ongoing public concern over the divestiture’s effects, which will be explored below.

Public Fears Before and After Divestiture

Much of the optimism surrounding the divestiture and accompanying deregulation focuses on the anticipated benefits of competition, communicating a sense of confidence that the market will effectively regulate itself. Despite this abstract confidence in the market, the approaching divestiture and its ramifications inspired a strong sense of uncertainty and anxiety that appears in press coverage of this period. The government's decision to support divestiture and encourage competition is questioned and in some cases, attacked. These doubts surface even with former regulator Alfred Kahn, who is generally portrayed as very supportive of deregulation. Kahn still acknowledges the unpredictability of the divestiture's results, admitting that in twenty years, the nation may ask itself, "What the hell did we do?" (Quoted in Beck, Ma, Cook, Borger, & Gonzales, 1983).

Some of the skepticism about the divestiture stems from positive perceptions of the pre-divestiture telephone system. An article that cites the low morale at AT&T, confused consumers, turmoil in the industry, and public outcry against proposed rate increases states, "while divestiture was likely to increase competition and lead to technological breakthroughs, experts still worry that it could prove a detriment to what is now the best telephone system in the world" (Pauley et al, 1983). The government is portrayed as making a risky decision, setting in motion a series of potentially regrettable events, such as the destruction of an excellent telephone system. In another apprehensive article, the nation and AT&T described as "hurtling" towards the January 1 deadline, and asks, "Will competition help or ruin a phone system that worked perfectly well, even if it didn't satisfy everyone's needs?" AT&T chairman Charles Brown is cited here, predicting the nation will eventually regret the divestiture decision (Pollack, 1983a).

A *Newsweek* article published directly after the divestiture deadline cites the predicted "enormous growth" of the telecommunications industry but also acknowledges the fear that the breakup will damage the integrity of the telephone system. In addition, the story refers to the social changes resulting from changes in telephone rate structures, acknowledging that large corporations may benefit at the cost of small users. This pessimistic outlook for consumers is framed as potentially necessary collateral damage in the deregulation process (Marbach, Cook, Ma, & Conant, 1984).

Consumers are frequently portrayed as confused, bewildered, and dissatisfied with the divestiture decision, finding that the alleged benefits of competition will not be worth the sacrifices. Coverage of a *New York Times/CBS News Poll* performed in October 1983 notes consumers' skepticism and bafflement, citing a "widespread lack of understanding." Among the 29% of respondents who felt they had heard or read enough to comprehend the divestiture issue, 41% predicted service would degenerate, while only 25% predicted improvement. In addition, 83% of respondents reported satisfaction with their current telephone service (Pollack, 1983b). The story suggests that the majority of consumers will not benefit from changes in rate regulation resulting from lowered long

distance rates and the addition of the FCC access fee. Consumers seem aware of this, as well, and some bitterly blame the government. All of the letters to the editor mentioning AT&T in *US News and World Report* during this period are resoundingly negative, predicting regret and lambasting the government for altering a perfectly good, affordable system of service:

“We will regret breaking up AT&T, monopolies do have a place in free enterprise systems, and AT&T already provided efficient service” (Boone, 1983)

“If monopolies are so bad, why is the AT&T breakup causing an increase in telephone rates? For my money, I’ll take a federally controlled monopoly over freedom to choose which company I patronize any day.” (Uppal, 1983)

“I’m certain that those who played an active part in this ridiculous action will soon realize they have done an excellent job of shooting themselves in the foot. What a pity to see the finest telephone service in the world destroyed by such irresponsible thinking” (Swift, 1984).

“Perhaps taking on a Goliath caused a warm feeling from the increased adrenaline flow in the veins of the Justice Department hacks, but no intelligent person could have expected any benefit from the divestiture beyond that” (Earle, 1984).

Consumers are portrayed as continuing to be dissatisfied after the breakup, complaining of service delays, rising repair costs, and confusing bills. In addition, a “noticeable decline” in service is reported, and there is strong skepticism that the telephone system’s former service quality will ever be restored, despite the service providers’ assurances that the problems are temporary (Pollack, 1984a).

The coverage framing the government as an active participant in unwise policy decisions is most concentrated before the actual divestiture in *Newsweek* and *US News and World Report*, although negative letters to the editor in *US News and World Report* continue well into 1984. In the *New York Times*, post-divestiture coverage continues to focus on the risky and destructive nature of divestiture and the ensuing competition, describing the negative effects for both consumers and businesses. Service is described as declining due to the confusion that has overtaken the industry, and the market of telephone suppliers is characterized as laboring under plunging prices and problems of oversupply, similar to the long distance market (Pollack, 1984b). Although these articles occasionally mention the potential benefits this fierce competition may have for consumers, there is a greater amount of coverage detailing consumers’ new woes with degrading service quality and delays, confusion, and inconveniences.

After one full year of divestiture, coverage of the transition and results remains generally negative. Greene is quoted in his continued support of the decision, claiming that the phone industry is “teeming” with competition and new technologies, emphasizing that the technological innovations will be the key to strengthening the national economy over foreign rivals. This optimism is balanced, or perhaps even outweighed by more cynical

analyses. Hoover Institution historian Robert Hessen observes the shakeout among long distance providers, suggesting, “in ten years people will say that the breakup of AT&T was a sham because AT&T will still be the overwhelmingly dominant company” (Berg, 1984). In the same article, “One year later, the debate over Bell breakup continues,” a representative of a California consumer advocacy group, Toward Utility Rate Normalization, claims that the “little guy” has not benefited, while big business has received most of the fruits of deregulation and competition, such as greater technological innovation and lower long distance rates. *US News and World Report* predicts that the “cataclysm” of the breakup is not over, noting rising costs for basic service and the apparent inevitability of the implementation of the FCC access fee (Schiffres, 1984c). “The name of the game is ‘tuck it to the consumer,’” according to William Zachmann of the International Data Corporation, a market research firm. He explains rising local costs, claiming, “what’s going on is the shifting of costs from bulk users to consumers” (Schiffres, 1984c). The view for businesses also appears pessimistic in this period, as the glut of providers in long distance is anticipated to produce a violent shakeout in the industry, drastically reducing the number of competitors (A Year After the Breakup, How AT&T Has Fared, 1984).

As 1985 begins, AT&T announces the intention of eliminating 30,000 jobs over the next three years, claiming that it is “suffering” due to the inroads made by competitors as well as marketing problems and internal disorganization. The long distance industry is described as “going through wrenching changes,” facing “a spate of bad news” due to forced office closures and layoffs as competitors’ costs rise and profits plunge (Berg, 1985). A telecommunications analyst cited in this story calls these difficulties evidence of “competition in its clearest form—not only the benefits but also the downside.” Despite the wide-ranging and influential costs of this level of competition, the turmoil is framed as a necessary byproduct of deregulation, although the benefits are acknowledged to be distant and uncertain.

This collection of diverse negative frames of the divestiture contributes to a broader discourse of the breakup as resulting in difficulty, rising costs, and confusion for all parties involved, including AT&T, its competitors, and consumers. Lower long distance prices and greater consumer options are cited as primary benefits resulting from the divestiture decision, but it is also frequently predicted that the volatile long distance industry will become increasingly concentrated, offering fewer alternatives among service providers and contradicting one of the main original goals of the breakup—dynamic competition and greater choice for the consumer. Unlike the coverage during the divestiture periods, the government is rarely explicitly mentioned after 1984. The divestiture itself, the product of government policy choices, is shown to have many negative results, but the responsibility of the government is not as strongly implied as in earlier stories. In a sense, the ongoing ramifications of divestiture become an independent process, one with unpredicted results that must be borne by the consumers and businesses, as the government recedes from its former position of authority and prominence.

The 1996 Telecommunications Act

The 1996 Telecommunications Act represents another watershed moment in US policy history, broadly changing the regulations governing the broadcast, telephony, cable and Internet industries. Passed twelve years after the AT&T divestiture, the Act embodied deregulatory trends that had been gaining strength for decades, and is the first major change in telecommunications policy since the Communications Act of 1934. Coverage of the 1996 Telecommunications Act examined for this research reveals three fundamental roles for the state. The first section will look at examples of the state invoked as an obstacle to progress, which is represented by deregulation and its expected results of competition, efficiency, and lower prices. The state is described in this coverage as too fond of its own power, and unwilling to bow to the more rational regulatory mechanisms of the market. The second section will examine portrayals of the state as a rightful protector of citizens and consumers through its firm regulation of private industry, including the highly regulated process of deregulation. In the third section, the government is represented as an author of unintended consequences—the negatively perceived results of the legislation. This coverage sometimes overlaps with the discourse in the first section, which constructs the state and its representatives as inept and untrustworthy. These unintended consequences include the lack of progress associated with the Act's aftermath, as competition fails to emerge in local telephone markets, and as significant sections of the Act are challenged in court. Rising prices and industrial consolidation are also reported as unfavorable results of the legislation. A fourth and final section will look specifically at the logic that develops in the coverage of the mounting number of mergers. While consolidation is frequently decried as the opposite of what legislators intended, later rhetoric turns around to justify mergers as a rational and ultimately beneficial response from private industry. In this section of coverage, the public interest becomes linked to the success of the mergers, and the state is asked to relax anti-trust oversight, in order to promote a competitive and healthy telecommunications industry. Competition, one of the primary goals of the Act, begins to be defined in terms of limited numbers of powerful, heavily consolidated players, rather than as a battle between many competing firms.

Regulation Obstructing Progress

Articles framing the government and its agents as obstacles often contrast the inefficiency of state bureaucracy with the nimble self-regulation of the market. This discourse mounts in late 1997, continuing through 1998. A considerable amount of this later coverage focuses on the furor over local telephone service, where the introduction of competition continues to be delayed.

When President Clinton signed the Telecommunications Act into law in February 1996, the deregulation was hailed in many articles as heralding a new era of technological innovation and economic growth. An editorial in the *New York Times* by Eli Noam, communications scholar, touted the wisdom of trusting the “invisible hand,” while

another editorial celebrated the Act for freeing US telecommunications, which was described as suffering from “cramped development” under Judge Greene’s “almost single-handed” regulation (Noam, 1996; Judge Greene is Disconnected, 1996). A *Newsweek* story by Steven Levy quoted Gore claiming, “the Berlin walls of the telecom industry are going to be brought down as this legislation is implemented” (1996). Congressional Representative Edward Markey is also cited by Levy, predicting a “fiber-optic free-for-all” from the newly deregulated telecommunications companies, resulting in lower prices and greater choice for consumers. The massive deregulation of the telecommunications market is generally unquestioned, as Levy describes the bill as based upon “the common-sense notion” that increasing competition will result in lower rates and faster technological advances. In each of these examples, the removal of government oversight is framed as inevitably beneficial.

As the FCC began to adapt its rules to the demands of the Act and the legislation was challenged in the courts, frustration with the government’s involvement mounted. Criticism of the government’s implementation of the Telecommunications Act portrayed the state as inefficient, uncomprehending of the emerging information economy, and reluctant to relinquish traditional regulatory powers. A *US News and World Report* article titled, “Moore’s Law vs. Moron’s Law” faults the FCC for its delays in drafting new rules for deregulation, suggesting that the potential benefits of the new technology economy are endangered by the government’s persistent interference: “The benefits of Moore’s Law and the continued growth of the high-tech economy are being threatened by the all-too-human tendency toward excessive interference and regulation” (Mitchell, 1997). The author argues that although processing speeds are advancing exponentially, as stated in Moore’s Law, government regulation will stifle the emerging technology economy, depriving the nation of its potential benefits. Private industry is portrayed as caught under the oppressive yoke of over-eager regulators, who do not truly comprehend the nature of these new technologies.

This image is repeated in another *US News and World Report* article in November 1997, which describes the proposed merger between telecommunication giants Worldcom and MCI. The story blames the lack of competition in the telecommunications industry on regulators, and specifically alludes to the government’s resistance to vertical mergers. Arguing that consumers will not benefit from integrated services such as voice, video, and data until “politicians and bureaucrats lose their fear of wide-open competition,” the article links increased consolidation with competition, and portrays mergers as beneficial to the national economy (Glassman, 1997). Government representatives are portrayed as obstacles to economic and technological progress, due to their reluctance to give up traditional forms of regulation and shift regulatory power over to the logic of the market. In *Wired*, Virginia Postrel perceives the Clinton Administration attempting to exert stifling control over emerging information technologies it does not truly understand. Postrel quotes John Perry Barlow, founder of the Electronic Freedom Foundation, who claims, “We have government by the clueless, over a place they’ve never been, using means they don’t possess” (Quoted in Postrel, 1998). Government is represented as completely disconnected from the realities of new technological advances, attempting to rely upon antiquated concepts of state power and regulation.

Rather than focusing on specific regulations or government actions, these media stories covering the 1996 Act discuss the state in fairly generic terms as oppressively bureaucratic and ignorant of technology and its possibilities. While this discourse continues into 1998, many of these critical portrayals of government regulation became more focused on specific issues in the legislation, such as the ongoing lack of competition in local telephone markets.

Obstacles to Competition

The 1996 Telecommunications Act intended to introduce and encourage competition in all telephone markets, but especially in local service, where the incumbent Bell companies held near-monopolies. A growing sense of public frustration is reflected in the media coverage sampled here, as local competition remained elusive and the FCC continued to refuse the Bell companies entry into long distance markets. Increasingly, the FCC is framed as an obstacle to the very competition the agency was meant to promote.

A *New York Times* story from December 1997 claims, “residential local phone competition is as elusive as Santa Claus,” and questions whether or not the FCC is simply blocking competition by refusing Bell companies entry into long distance markets (Schiesel, 1997b). By March 1998, criticism of the FCC’s lack of progress in implementing rules for local telephone competition increased, as a Senate subcommittee began an investigation of the agency’s activities. The *New York Times* notes, “Dissatisfaction is mounting over the way the law is being carried out, and in recent weeks the commission has come under withering assault from Congress” (Schiesel, 1998c). Representative John D. Dingell provides an example of this discontent:

The implementation of the 1996 Telecommunications Act is a shambles. The commission has chosen to not only perpetuate but actually increase bureaucracy in virtually every area the Congress had intended to eliminate it. Would it be impertinent of me to suggest a radical idea? If you want competition to bring down prices, why don’t you just get out of the way and let it happen? (Quoted in Schiesel, 1998c).

This concept of successful competition resulting from the absence of government involvement occurs repeatedly—although the 1996 Telecommunications Act intended the FCC to create rules governing the removal of cross-industry regulations and the introduction of competition into previously closed markets, the FCC and courts are increasingly perceived as obstacles to these deregulatory goals. (Schiesel, 1997b; Meyer, 1998; Schiesel, 1998c; Telecom Inaction 1998, 1998; Schiesel, 1998g) This positioning of the FCC and to a lesser extent, Congress and the courts, as obstructions to competition and correlated economic and technological progress reinforces justification for deregulation. The market is implied as more effective than the government in addressing problems of the free market, such as anti-competitive practices and job losses (Samuelson, 1996; Sloan, Underwood, McCormick & Branscombe, 1996; Holstein,

Vogelstein & Egan, 1998). The opening of the Bells' local markets to competition was to be supervised by the FCC, but the market is implied as a more effective means of transition and protection against monopoly, as new technologies emerge to compete with traditional networks. A *US News and World Report* article from May 1998 articulates this, arguing that the real threat to the Bells' dominance lies in satellite, broadband, and other new communication media, not in government regulation (Holstein, Vogelstein & Egan, 1998). The same article suggests that although Congress failed in its 1996 legislation, time and new technologies will address the incumbents' dominance and open markets more effectively than any revision of the Act could. As the efficacy of the Act and its implementation are questioned, the road to progress and increased competition appears to lie in greater deregulation, and the removal of FCC restrictions.

The deployment of this media discourse of government oversight as an obstacle to progress contributes to conditions conducive to continued deregulation, gaining momentum as the 1996 Act is increasingly perceived as failing to achieve its goals. In addition, this discourse reinforces a particular definition of public interest, in this case characterized by the alleged benefits of competition, guided by the objective wisdom of the market. These benefits include greater economic efficiency and lower prices, while the market is depended upon to ensure universal access and guard against companies' monopolistic, anti-consumer behaviors. The next section, which discusses examples of coverage where the government is portrayed as a protector of the public interest, will further explore the shifting definitions of this concept.

Government Protecting the Public Interest

In her analysis of the 1996 Telecommunications Act, Aufderheide notes that traditionally, the public interest in US telecommunications policy has been associated with "stable, broadly available commercial communications services, and government was responsible for monitoring socially significant audiences, arenas, and services" served poorly by the market (p.12). The examples of coverage discussed below address this principle in different ways: Many articles focus on the necessarily active role of the state in the deregulatory process while to a lesser extent others look at the government's efforts towards universal service and the implementation of the V-Chip, where the government is represented as empowering parents and protecting children. This section will primarily study articles framing the government as an active overseer of the market, and of the process of deregulation. Overall, coverage framing the government as a protector of the public interest falls into two primary categories--*New York Times* editorials and quotations from specific government representatives, most often former FCC commissioner Reed Hundt. This pattern differs from that of coverage representing the government as an obstacle to progress, which occurred in all four of the publications studied, with the frame used by specific spokespersons and also in general news stories.

Regulating Deregulation

This frame of the state as an active deregulator is especially interesting because it highlights one of the primary paradoxes of deregulation, the need for continued and sometimes even increased state involvement. In this discourse, the public interest is constructed in terms of technological diffusion, protection of consumers from price gouging, and through the encouragement of competition. As an active agent and overseer of deregulation, the state is expected to promote a competitive market, which is assumed to be the economic arrangement most beneficial for consumers and companies, but still exert authority protecting against the excesses and negligence of the market, such as price increases and unequal access. This is the view most often represented in this discourse of the government as a protector of the public interest, supplementing the free market by providing for social goods that the market might not otherwise support.

Most examples of this discourse occur in the earlier period of the coverage, before 1997, with the earliest articles most strongly stating the case for government involvement. Shortly before the final passage of the 1996 Telecommunications Act, a *Wired* article on the future of regulation quotes Vice President Al Gore, who fears that the recently-passed House bill “promotes mergers and concentrations of power....allowing fewer people to control greater numbers of TV, radio, and newspaper outlets in every community.” His domestic policy advisor, Greg Simon, elaborates:

The question is simple...Are we going to re-create the 1890s, and the excesses of the robber barons and the oil barons, by invoking this mantra of deregulation to liberate these monopolists, who treat consumers as captive sources of funds? Deregulation means nothing unless, within the industry you’re deregulating, people have a chance to compete (quoted in Helleman, 1995).

While this rhetoric is supportive of deregulation, it also vigorously argues for continued government guidance, and protection of social goods, such as diversity of opinion and the shielding of the consumer from exploitation by private industry. Another *Wired* article published just before the Act’s passage acknowledges the need for government involvement: “[T]he historic evidence demonstrates that broad public access to essential services such as communications has so far required at least some social intervention” (Kline, 1995). Without this, the article argues, businesses would follow their logical self-interest of only catering to the wealthiest parts of population, not to the traditionally underserved, such as the poor and rural dwellers. The article, titled “Is Government Obsolete?” is highly skeptical of the state as a market regulator and only advocates minimal social regulation, but suggests that the free market will not adequately satisfy all of society’s needs.

This unwillingness to depend wholly upon the free market to distribute social goods and services is echoed in a *New York Times* editorial, published upon FCC Commissioner Reed Hundt’s retirement from office. Praising Hundt’s commitment to serving the public interest, the editorial states, “Competition cannot flourish where entrenched monopolists like the local phone companies reign supreme. Even where competition does flourish, it will not subsidize phone service to the poor or connect inner-city schools to the Internet” (Reed Hundt’s Legacy, 1997). Hundt himself appears frequently in this discourse of the

public interest, advocating for stronger public service obligations for broadcasters, and continued state regulation of the market. In a *New York Times* story on the allocation of spectrum space for the development of advanced television services, Hundt argues that broadcasters requesting licenses for this spectrum should honor a “broad new commitment to public service”(Andrews, 1996). Hundt justifies this position, stating, “A TV license carries no property rights. It is a license to use the public property, and it can be conditioned... The only question is whether Congress and the FCC have the will to make these requests” (Quoted in Andrews, 1996). Hundt represents the government as a leader, actively guiding the transition to deregulated markets. Referring to the tumultuous conditions in the telecommunications industry in a 1997 interview, he suggests, “Our job in government is somehow to do the best we can to stay ahead of all that, to not be either in the way or out of the way but instead to be paving the way” (Quoted in Hirsh, 1997). Federal intervention is framed in these stories as necessary and desirable, and other articles, particularly *New York Times* editorials, praise Congress and the FCC for their performance (Judge Greene is Disconnected, 1996; Pressure on the Baby Bells, 1996; Prying Open the Phone Market, 1996).

In these examples, the state is implied to be protecting the public interest by guarding against the potential dangers of the free market, such as anti-competitive behavior and the neglect of the poor and other traditionally underserved groups. The benefits of deregulation are not openly questioned—instead, deregulation is framed as an inevitable process that must be wisely guided by the government. In addition, the government is portrayed in several of these examples as essential to the preservation of social values, such as diversity of opinion and universal access. While these examples show that this discourse of the state as a guardian of the public interest and a moderator of the deregulatory process is available during this period, it is primarily visible in the early years of coverage, before 1997. As dissatisfaction with the Act’s implementation rose and unintended consequences such as higher cable rates and intense industrial consolidation became apparent, the state fades as a guardian of the public interest. Paradoxically, the public interest seems increasingly associated with deregulation and the removal of state involvement in later coverage, despite the possibility that the deregulation itself contributed to many undesired consequences. The next section will explore some examples of coverage of undesired consequences and disappointments associated with the 1996 Telecommunications Act, demonstrating how this discourse rose in 1997 and 1998.

Unintended Consequences, Disappointing Progress

Coverage expressing dissatisfaction with the 1996 Telecommunications Act focuses primarily on delays in achieving the Act’s objectives, as well as on the unintended results of rising cable prices and a flurry of mergers. Delays occurred for a variety of reasons, including the protracted court challenges brought by the regional Bells against the FCC, and the unwillingness of cable operators and telephone service providers to enter each other’s territories. Government bodies, particularly Congress, are represented as the

unwitting authors of these undesirable effects and delays. The most frequent complaint in these articles by far is the continued lack of competition in the local telephone industry. Mergers are also discussed as an unwanted side effect of the Act's deregulation, with a variety of associated fears. Finally, higher prices and lack of broadband diffusion are mentioned, but these problems are represented with less frequency.

Local Telephone Competition

One year after the Act's passage, press coverage begins to note the ongoing lack of competition in the local telephone industry, suggesting that the legislation has been ineffective in achieving one of its primary goals. A *New York Times* article titled, "Instead of Flood of Competition, the Communications Act Brought a Trickle," suggests, "Given the dilatory pace of competition in the year since the industry was deregulated, some consumer advocates say, the Vice President should be hanging crepe instead of handing out party hats" (Landler, 1997a). Alluding to the lack of cross-industry competition and rising rates, Jeff Chester of the Center for Media Education claims, "This thing is a flop. It was supposed to unleash tremendous forces of competition and drive down rates, but it has encouraged the exact opposite of that" (Quoted in Landler, 1997a). Later articles note the delay caused by lawsuits from the regional Bells, while others frame the delays in terms of financial difficulties encountered by long distance companies intending to enter local markets (Vogelstein & Holstein, 1997; Landler, 1997c; Egan, Hetter, Vogelstein & Mallory, 1997).

Upon the announcement of the proposed MCI/Worldcom merger in late 1997, a *US News and World Report* article complained that the 1996 Act was intended to allow greater competition and choice for consumers, promising better service and lower prices. The author continues, "But what's happened? Nothing but foot-dragging and lawsuits, aided and abetted by horrendously complicated conditions that have to be met before the Federal Communications Commission gives the green light for a company to make the crossover." Although the Bells are implicated in the delays, due to their legal maneuvers, the article blames the FCC for its overly complex requirements. This echoes some of the complaints discussed in the previous section, which addressed frames of the government as an obstacle. As the delay in competition is prolonged, the government is increasingly found to be at fault. Some articles continue to simply observe the ongoing delays in benefits anticipated from the Act (Schiesel 1998b; Vogelstein 1998a; Sloan, 1998). Others blame Congress for contributing to the delay through poor planning and legislation. An editorial in the *New York Times* accuses, "Congress wrote a sloppy bill that invites endless legal challenges. Nor did Congress channel these legal challenges into a single jurisdiction that would have handled the cases expertly and expeditiously" (Stirrings in the Phone Market, 1998). A later *New York Times* editorial suggests that Congress's efforts to open up local telephone business have "floundered because of squabbles over what the would-be competitors should pay the existing local company" (The Battle to Wire America, 1998). Congress is framed as ineffective here, unable to foresee or efficiently handle the disputes that have arisen over the legislation. A final example of this discourse on the Act's lack of progress occurs upon Bell Atlantic's

announcement of its intention to buy GTE. A *Newsweek* article notes the “deal wave” taking place across the US—“Instead of competing with each other for local phone customers, as the Telecom Act envisioned, or opening their local markets in return for being allowed to enter the long-distance biz, [local telephone providers are] buying each other” (Sloan, 1998). This coverage continually frames the effects of the legislation as going awry, causing delays in competition and its much-anticipated benefits of lower prices and improved service. While this is presented as the primary cause of frustration with the Telecommunications Act’s after effects, mergers also appear frequently in news stories that warn of the potential effects of industry consolidation.

Mergers

Early coverage of mergers as negative results of the Telecommunications Act focus on public interest concerns such as decreasing diversity in media. A *New York Times* editorial titled “Lamb to the Slaughter” describes the disappearance of unprofitable networks such as C-SPAN on increasingly consolidated cable provider systems. The title refers to C-SPAN’s Brian Lamb, who alludes to the “supposedly fabulous Telecommunications Act” which is blamed for the decrease in public interest programming on cable systems, due to increasing commercialization and lack of competition. The editorial notes:

This week marks the first anniversary of President Clinton’s signing of that law he (like leaders of both parties) said would spur marketplace competition to give consumers ‘the benefits of lower prices, better quality and greater choices in their telephone and cable systems.’ But conglomerates, not competition, now drive TV: prices are higher, choice is less and “better quality” means more Murdoch and less C-Span” (Lamb to the Slaughter, 1997).

The article cites Gene Kimmelman of Consumers Union, who suggests that cable companies “will do anything to boost earnings,” resulting in lowest-common-denominator programming and the demise of public service networks (Quoted in Lamb to the Slaughter, 1997). This editorial is highly critical of the ongoing mergers, more so than later articles, and closes with a call to protect the public interest—“We’re inured by now to our media giants being greedy, but when a democracy’s flow of information is being restricted, something far more important than our monthly cable bill is at stake.”

Other threats to diversity of programming are perceived in the waves of mergers consolidating local television stations. An article covering the dilemma of a local Pennsylvania station observes that “despite Congress’s stated intention—to unleash market forces and increase the diversity of voices the public hears—the number of television station owners has declined”(Shapely, 1997). A media industry consultant, Peter Bowman, is cited, suggesting, “The independent commercial station will go the way of the corner store when Wal-mart comes to town” (Quoted in Shapely, 1997). This phenomenon is similarly noted in the radio industry, which consolidated significantly after the 1996 Act. FCC Chairman William Kennard is described as “deeply troubled” by

this trend, noting, “The loss of small religious stations and local programming is very unfortunate,” and describing the FCC’s efforts to combat the increasing lack of diversity through licensing of microradio stations. (Quoted in Richtel, 1998).

Troubled accounts of mergers attributed to the 1996 Telecommunications Act decrease in 1998. While later coverage of mergers notes the dismay of lawmakers and regulators to the trend, the actual threats implied by industrial consolidation are less articulated (Holstein, Vogelstein & Egan, 1998; Schiesel, 1998e).

Other Concerns: Rising Rates and Slow Broadband Diffusion

Rising telephone and cable rates are both observed in the popular press a year after the passage of the Act, while in 1998, concerns about the slow spread of broadband rise. A *New York Times* article in February 1997 observes that cable bills increased, and cited Gene Kimmelman of Consumers Union, who referred to the past twelve months as “a very bleak year for competition,” and suggested that the best the public could hope for would be the stability, rather than the decrease, of telephone bills (Quoted in Landler, 1997a). Shortly after this, another *New York Times* article found that telephone rates were indeed rising. “Thirteen months after the telephone industry was deregulated in the name of free-market benefits for consumers, the public might soon see the first tangible result of competition: higher phone bills” (Landler, 1997b). Rising telephone rates are framed as a potentially unavoidable step towards competition, as the FCC contemplated the elimination of traditional subsidies. Also in the spring of 1997, a *US News and World Report* article titled “Hang on to Your Wallet” reported that analysts expected no “real competition” between telephone and cable companies for at least a decade, and cited a 7.8% jump in cable rates since the Act’s passage (Glastris, Barnes, Jenkins & Shute, 1997). Lamenting the decrease of price controls, allegedly included in the Act in exchange for cable operators’ support of the bill, the article refers to the situation as “a legislative bait and switch.” Lawmakers are framed as unwisely agreeing to loosen rate restrictions, hurting consumers with uncontrolled, rising rates. “Behind Your Soaring Cable Rates,” a *New York Times* editorial, likewise notes that despite Congressional attempts to create competition “within this monopoly-ridden industry,” cable rates continue to rise (1997). Another *New York Times* article notes that local communities have been left nearly defenseless, with “nonexistent” clout against cable providers and rising rate structures (Greene, 1998).

Broadband diffusion, while receiving less coverage than these issues discussed above, was also considered in media coverage to be a failure. A *Wired* article in the spring of 1997 noted that two-way broadband to the home had ceased to be a centerpiece issue since the legislation’s passage, and suggests that competition may not be the most appropriate model to encourage the spread of broadband infrastructure (Rivkin, 1997). Technological diffusion is given priority over competition here, and this argument gains momentum in the following months, as the FCC considered allowing the regional telephone companies to offer high-speed data services without being required to offer competitors access to the network (Schiesel, 1998d; Schiesel 1998f; Schiesel 1998h).

William Kennard, the chairman of the FCC, is described as under “crushing pressure from Capitol Hill” to produce results promised by the Act, broadband diffusion among them (Schiesel, 1998d).

These articles convey a sense of disappointment and concern regarding the Act’s implementation. Lack of progress in local telephone service competition is the primary complaint in this coverage, which suggests that consumers are being denied broader choice and lower prices, two of the public interest benefits associated with deregulation. Mergers are another topic of concern, especially in early coverage, which addresses the potential threat consolidation poses to the diversity of voices in the media, referring to a social good found in the more traditional rhetoric of public interest. Rising prices and slow technology diffusion also are presented as worries in this media coverage, to a lesser degree. Low prices are often touted as a benefit of deregulation and competition, but are also important in a more traditional sense of universal service and affordability. Broadband diffusion, originally promised by the Act’s supporters but not widely delivered by 1998, is framed in these later articles as potentially less likely with full competition, which Bell companies allege will discourage their infrastructure build-outs.

While mergers and consolidation were viewed in early coverage as undesirable and against the public interest, this attitude shifts in late 1997 and 1998, with an increasing number of articles that frame the merger trend as a logical response to the new challenges of competition brought by the 1996 Act, and even as beneficial to the public. This discourse argues that in the new, highly competitive and globalized telecommunications industry, successful companies may have to consolidate in order to cope with the demands of the deregulated market. This consolidation is associated in this coverage with lower prices, greater technological innovation, and increased efficiency—a “Wal-mart” effect where size enables lower consumer prices, because the service provider deals in bulk. In this way, mergers are framed in later coverage as possible solutions to the delays and frustrations that are associated with the 1996 Telecommunications Act, with the market surpassing the government in effectiveness, creating competition among a few giants, rather than among a multitude of competitors.

The Justification of Mergers

While the proposed merger of SBC Communications and AT&T drew reactions of surprise and outrage in some coverage, the merger was also framed as a logical step for the companies, given the unpredictable environment after the 1996 Telecommunications Act. Reed Hundt, cited in a *Newsweek* article, defends the proposed alliance, suggesting that the companies were simply seeking security in consolidation during a period of uncertainty (Sloan, 1997). A *US News and World Report* article, “Has Humpty Dumpty Discovered Superglue?” refers to Yale economist Paul MacAvoy, who suggests that the merger may unclutter the marketplace, offering the logic that a few competing giants may be beneficial for consumers, and arguing, “Having four companies offering you services in your kitchen is absurd” (Quoted in Vogelstein & Holstein, 1997). Competition is in the

public interest, but should be among the largest and most successful companies, justifying industrial consolidation.

Coverage of the proposed MCI/Worldcom merger articulates this argument in greater detail, reporting that industry experts expect increased competition from vertical “mega-mergers:

[T]he thinking on Wall Street and within the industry these days is that true competition and price reductions will come only through the formation of a handful of national players—companies big enough to build their own networks and compete head on with full lineups of local, long-distance, Internet, and other communications services. Rather than deprive consumers of potential options, the thinking goes, mega-mergers can create companies powerful enough to invade one another’s markets and bring competition to the masses (Schiesel, 1997a).

Encouraging vertical consolidation may go against traditional public policy, but it is framed as a possible solution to the lagging pace of competition since the 1996 Act. Additionally, the reluctance of the government to allow vertical mergers, while permitting “incremental” horizontal consolidation, is represented as a possible factor in the delay of competition—if government regulators would lose their fear of vertical consolidation, “full-blown competition” might be realized, according to experts and industry insiders, including Bernard J. Ebbers of Worldcom (Schiesel, 1997a.) The government is framed as potentially harming consumers with its reluctance to give up traditional and perhaps outdated principles of regulation, not recognizing the new rules demanded by converging technologies and industries. Similarly, a *US News and World Report* article in November 1997 hypothesizes that a vertical merger between a big local telephone company and a long distance provider would create “a virtuous circle of price-cutting on both ends”(Glassman, 1997). Government regulators’ resistance to these types of mergers is perceived as preventing consumers from receiving the benefits of these vertical combinations.

The deregulation of the 1996 Act and the convergent communications environment are constructed as driving forces behind companies’ urge to consolidate. A *New York Times* article titled “Phone Companies Race to Find Their Suitors” predicts more mergers in the future, and that eventually vertical consolidation will prevail. Companies are portrayed as driven by fear of competition—“fear that companies that do not offer nearly every service imaginable will not thrive, and fear of passing up the chance to gain a financial edge by combining with a rival and cutting costs”(Schiesel, 1998a). Increasing mergers are framed as evidence of success and investment in the telecommunications sector, while company size is celebrated (Lappin, 1998; Samuelson, 1998). A *Newsweek* article argues that “bigness abets competition,” while criticizing the fear of consolidation: [I]t’s wrong to see bigness and consolidation as automatically anticompetitive. Sometimes it’s the other way around. One reason why manufacturers have held down prices is that their superstore customers—the Wal-Marts and Home Depots—have the purchasing power to insist on low prices” (Samuelson, 1998).

The announcement of AT&T and TCI merging in the summer of 1998 is greeted with celebration. A *New York Times* editorial suggests that the merger offers a new hope for competition in the local telephone industry, and promises lower prices and better service (The Battle to Wire America, 1998). Kennard was cited in *US News and World Report* coverage, explaining that the merger could produce real benefits for consumers, and the deal was suggested to be only the first of many between the telephone and cable industries (Vogelstein, 1998b). The logic of consolidation is framed as surpassing the efforts of policymakers to stimulate competition: “The merger can potentially create what Congress could not, creating genuine competition in the market for local phone calls”(Vogelstein, 1998b).

Although the 1996 Telecommunications Act is perceived in the popular media surveyed here to be a failure on several counts, mergers appear towards the end of the period as a potential solution to ongoing regulatory problems. This coverage naturalizes the trend of consolidation as a normal and rational response on the part of corporations, and ultimately as evidence of the potential benefits offered to consumers by the free market. Also at the end of the period surveyed, the discourses of the government protecting the public interest through active regulation fade, while criticisms of state interference remain strong. In this way, the press coverage makes particular discourses more available than others: While the early coverage surrounding the passage of the Act contains more frames of government representatives as guardians of the public interest, shielding consumers from the excesses of the free market, this discourse is less visible as criticism of the Act’s implementation mounts in 1997 and 1998. Increased deregulation is implied in many of these news stories as a potential solution to the problems generated by the deregulation of the 1996 Act, so that the FCC is encouraged to “get out of the way” of the regional Bell companies, and government legislators and regulators are urged to consider the benefits of allowing vertical mergers. The public interest, previously defined in terms of diversity of voice, protection from price gouging, and wider consumer choices, is increasingly associated with low prices, access to technology, such as broadband infrastructure, and competition between heavily consolidated corporate giants.

Conclusions

This research explores the popular discourses surrounding the government during two important moments in US telecommunications deregulation, tracing shifts in the implied role of the state and the public interest. Qualitative content analysis of the press coverage of the AT&T divestiture and the 1996 Telecommunications Act show what discourses were most available at particular times in public discourse, represented here by the *New York Times*, *Newsweek*, and *US News and World Report*. *Wired Magazine* coverage of the 1996 Telecommunications Act was also examined as an alternative source, representing an audience highly invested in the technology economy.

Coverage of both the divestiture and the Telecommunications Act reflect a sense of different competing discourses of the state’s role in the public interest. The AT&T divestiture is surrounded by pro-deregulatory discourse, focusing mostly on consumer

issues of greater choice and lower rates in long distance. Reduced state regulation is celebrated as a means to encourage industry growth and technological innovation, making the nation more competitive on the global market. This enthusiasm for deregulation is countered, however, by media coverage expressing fears of higher prices and declining service, as well as confusion and uncertainty for both consumers and industry stakeholders. The state is represented addressing these fears, somewhat, in press that focuses on the activities of Representative Wirth and Judge Greene, who both vocally fought anticipated price increases in local markets. After the beginning of 1984, however, this discourse of the protective government fades, while dissatisfaction with the results of the divestiture continues in coverage through 1985.

In popular press surrounding the 1996 Telecommunications Act, the government is repeatedly cast as a dangerous obstacle to the progress associated with deregulation. This anti-regulatory discourse grows stronger in later coverage, as the expected benefits of the Act fail to materialize. The government, primarily Congress, is portrayed as the author of unexpected and undesired consequences, including rising cable rates and intense industrial consolidation. Towards the end of the period, however, the merger boom begins to be portrayed positively, as a means for solving the delays and other problems associated with the Act's passage. Congress and the FCC are cast as unsuccessful in their attempts to create competition and greater consumer opportunity, while giant, highly integrated conglomerates are portrayed as the key to lively competition and its associated benefits of lower prices and technological investment. In both policy moments, the reduced role of the state is portrayed as increasingly inevitable and necessary, despite fears of rising rates and less choice, due to consolidation.

The analysis presented here is intended to be primarily descriptive, identifying and discussing particular discourses during key policy moments, and demonstrating how dominant ideas about the role of government and the implied public interest shift over time. Future research might usefully explore the relationship between public discourse and policy discourse, drawing upon Congressional Record archives, court opinions, and the press releases of stakeholder interest groups as well as media discourse, in order to better study how particular policy options become more acceptable at particular moments.

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