LED ASTRAY BY THE POVERTY 'EXPERTS'

(By Walter Williams)

Much of what's wrong in our country is the result of heeding the words of "experts" and "intellectuals," whose advice defies every notion of common sense.

Take skyrocketing black illegitimacy. But first, let's put it into perspective. In 1940, black illegitimacy was 19 percent. Today, it's 68 percent and estimated to be 75 percent by the year 2000. As early as the 1870s, up to 80 percent of black kids lived in two-parent families. Between 1905 and 1925, 85 percent of Harlem youngsters lived in two-parent families. Today, fewer than 40 percent of black kids live in two-parent families. The black family could survive slavery and Jim Crowism but not the welfare state.

During the '60s, now-Sen. Daniel Patrick Moynihan wrote a report concluding, "At the heart of the deterioration of the fabric of Negro family," At that time, black illegitimacy was 30 percent. Liberals attacked the report. Civil rights leader Bayard Rustin said, "What may be a disease to the white middle class may be a healthy adaptation of the Negro lower class." Floyd McKissick, director of COPE, echoed that sentiment, saying, "Just because Moynihan believes in middle-class values doesn't mean they are the best for everyone in America."

Those sentiments were supported by many, including supposed intellectuals. Andrew Cherlin, a Johns Hopkins professor and sociologist, argued it had yet to be shown that the "absence of a father was directly responsible for any of the supposed deficiencies of broken homes." Mr. cherlin concluded that the real issue "is not the lack of male presence but the lack of male income." In other words, fathers can be replaced by a monthly welfare check. That's a stupid idea, but we bought it.

When Mr. Moynihan completed his report, according to Rowland Evans and Robert Novak, attempts were made to repress its release. Professors Lee Rainwater and Williams Yancey suggested "it would have been well to reduce the discussion of illegitimacy because of the inflammatory nature of the issue with its inevitable overtones of immorality."

According to William Bennett, writing in the American Enterprise (January-February 1995), "More than 70 percent of black children will have been supported by Aid to Families with Dependent Children payments at one point or another during childhood." He adds, "The most serious problems afflicting our society today are manifestly moral, behavioral and spiritual, and therefore remarkably resistant to government cures." That recognition is thankfully slowly dawning upon us after years of listening to experts and their destructive nonsense.

But the experts are doing their level best to keep us befuddled. They continue to preach nonsense like the proposition that crime and other forms of antisocial behavior are caused by poverty. The truth of the matter is the causal direction may be the other way around: Poverty is caused by crime and antisocial behavior. After all, poverty is the likely result when a person does not respect the rights and property of others and ignores the values of hard work, sacrifice and deferment of gratification.

Congress has put welfare reform high on its agenda. In seeking advice on what to do, they should summarily disqualify all the experts whose advice we've listened to in the past that has resulted in today's calamity. If I had it my way, there'd be a blanket exclusion of anyone from any government agency dealing with poverty and anyone who has received a government grant to do research on poverty.

DEMOLAY MONTH

HON. STEVE LARGENT

OF OKLAHOMA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 15, 1995

Mr. LARGENT. Mr. Speaker, March is DeMolay Month, when the Order of DeMolay—an international Masonic-related, fraternal, civic service organization for young men 13 to 21—celebrates its 76th anniversary. DeMolay is a youth development organization based on seven virtues needed in today's society—filial love; reverence for sacred things, such as God; courtesy; comradeship; fidelity; moral and physical cleanness; and patriotism. DeMolay promotes scholarship and provides a full package of leadership, athletic, social, and civic service activities to interest today's young men.

This year Delta Chapter, located in Jenks, OK and 1 of 4 DeMolay chapters in my congressional district, celebrates its 60th anniversary. For the first time in its history, Delta Chapter was recently named 1994 Oklahoma DeMolay Association Chapter of the Year. Last year, the chapter sponsored two recycling drives and a severe weather seminar for the Jenks community and held civic service and charitable projects for the Tulsa and Jenks Community Food Banks, Scottish Rite Childhood Language Clinics, Tulsa Area Book Bank, Big Brothers and Big Sisters of Green County, and the Oklahoma Masonic Home for the Aged.

Several prominent scientists, educators, business leaders, astronaunts—and several former or current members of Congress—were active DeMolays in their youth. Distinguished political commentator and Tulsa-native Paul Harvey is a former member of Delta Chapter.

At a time when teenage drug use and gangs command the attention of the media, and teenage violence has reached near-epidemic levels, it is refreshing to recognize the leadership and good citizenship demonstrated by members of the Order of DeMolay.

THE ECONOMIC IMPACT OF COMMUNICATIONS DEREGULATION

HON. TOM DeLAY

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 15, 1995

Mr. DELAY. Mr. Speaker, Government regulations impose a tremendous burden on our Nation's economy. Excessive regulations result in higher prices for American consumers and fewer jobs for American workers. One of the primary goals of the Contract With America is to reduce onerous Government regulations and break down unnecessary barriers to competition. In that regard, I was especially interested to learn of a new study released by the independent Wharton Econometrics Forecasting Associates [WEFA] Group. Their study documents the positive impact that would result from greater competition in the U.S. communications industry. They conclude that full, immediate, and simultaneous competition in all communications markets would result in more jobs, lower prices, and a stronger economy. I urge my colleagues to carefully consider the results of the WEFA study as we continue to more forward with our efforts to deregulate our Nation's economy.

ECONOMIC IMPACT OF DEREGULATING THE U.S. COMMUNICATIONS INDUSTRIES—HIGHLIGHTS OF FINDINGS

OVERVIEW

The 104th Congress is in the process of reforming the nation's outdated communications laws. A fundamental concern in this process involves when and to what extent cable TV, long distance and local telecommunications markets should be opened to competition. Opinions range from opening all markets immediately to creating lengthy approval processes for competitive entry.

A study released by renowned independent economic forecasting firm, The WEFA Group, quantifies the impact that various policy options will have on diverse economic indicators, including job-creation, economic growth, technological innovation, consumer savings and the balance of trade. Specifically, the WEFA study compares three approaches:

Immediate, full competition—removal of legal and regulatory barriers to market entry; change from traditional rate-of-return regulation to price-cap regulation for any noncompetitive service; complete deregulation of competitive services; and, all markets open simultaneously on January 1, 1996.

Competition phased in over two to three years—local competition occurs a year ahead of long distance competition, with full competition by 1998.

Competition phased in over four to five years—local competition occurs a year ahead of long distance competition, with full competition by 2000.

FINDINGS AND ANALYSIS

I. Immediate competition means new jobs, economic growth, consumer savings

Full, immediate and simultaneous competition in all communications markets will result in more jobs, lower prices and a stronger economy than any other option. The study finds that immediate and full competition in the telecommunications industry will achieve:

New jobs

3.4 million additional U.S. jobs would be created over the next ten years as a result of full, immediate competition in all communications markets. These jobs would be spread across all states and all major industry groups, including: 498,000 new jobs in manufacturing; 423,000 new construction jobs; 923,000 new jobs in wholesale and retail trade; 1.4 million new jobs in the service sector.

Economic growth

Once competition is brought fully and immediately to the communications industry, the benefits of lower prices, enhanced services and newer technology will boost economic activity throughout the economy. Specifically, within ten years, America would experience: $298 billion increase in annual Real Gross Domestic Product; $162 billion increase in annual Real Personal Consumption; $14 billion improvement in annual balance of trade; $140 billion improvement in the annual national budget deficit; an average increase of $850 in the per year disposable income of each U.S. household.

Consumer savings

American consumers would receive substantial benefits from immediate competition in all communications markets. The study concluded that competition, which will bring greater network efficiencies, including bandwidth expansion and increased use of digital services, will result in a 23% decrease in telecommunications prices over the next ten years. A large portion of this is due to a 35% decline in long-distance toll rates over the first five years of deregulation. Specifically, immediate competition would:

Save consumers nearly $550 billion over the next ten years from lower telecommunications rates, including: $333 billion in consumer savings from lower long distance rates; $107 billion in consumer savings from lower cellular rates; $78 billion in consumer savings from lower cable TV rates; $32 billion in consumer savings from lower local rates.

II. Delayed competition means fewer jobs, slower economy, higher rates

In addition to the immediate competition model, the study forecasts the economic effect of two other models, assuming that it takes three and five years, respectively, to achieve full competition—including removal of entry barriers, change from rate-of-return regulation to price-cap regulation from rate-of-return regulation for noncompetitive services, and deregulation of competitive services.

A three-year delay in full competition would result in the creation of 1.5 million fewer jobs than would immediate deregulation over the next five years. A five-year delay would mean 1.9 million fewer jobs over the next five years.

A three-year delay in deregulation would result in $137 billion less in real GDP, and a five year delay would mean $171 billion less in real GDP over the next ten years.

III. The long-distance market is currently not competitive

Contrary to industry arguments, there is no real competition in the long distance industry today. The long distance companies have not lowered their rates, despite steep declines in local access charges, the most significant cost of providing service. In fact, the big three long distance companies have raised rates in an oligopolistic fashion six times in the past three years (see chart 1). In a truly competitive industry prices do not go up when costs go down.

This lack of real competition in the long distance industry may be the biggest barrier to entry facing competitors in the local market.

(1) State regulators fear that opening local and short-haul long distance would result in drastic losses in the access charge subsidies that help pay for universal service in residential and rural areas.

(2) Full and immediate competition, which includes lifting the long-distance restriction, would mitigate the losses of these access charges. As a result of full competition, local rates would decrease 1% per year over the next ten years.

IV. Regulatory reform is necessary

The study concludes that telecommunications companies must be free of pricing regulations that discourage investment in new network services if the full benefits of competition are to be realized. Specifically, the study finds:

Rate-of-return regulation, designed to constrain earnings under the ''natural monopolies'' of the past, only slows the rate of network investment and the introduction of new technologies in today's environment of competition and technological convergence.

Price regulation allows incumbent carriers to re-price existing services and to introduce new services in response to competition, while still holding prices below that which might occur in the absence of regulation. In competitive markets, competition and not artificial regulatory distinctions should determine pricing.

V. Delayed competition inhibits new services, creates ''economic welfare loss''

A significant benefit of the Immediate Regulatory Relief model is that lower rates, better service and increased investment all would accelerate the affordable delivery of advanced services like health care, education, telecommuting and more.

On the other hand, the study finds that delaying competition in communications will also delay the deployment of new, advanced services. Each delay in the deployment of these new services, results in a significant cost to American's economy and society as a whole—a cost quantified as ''economic welfare loss.''

The economic welfare loss of new services delayed as a result of current barriers to competition amounts to more than $110 billion per year of delay. This economic welfare loss includes, among other items: $40 billion per year in residential medical and education services; $20.4 billion per year in residential advanced information services; $28.8 billion per year in residential and business video conferencing; $10.3 billion per year in expanded residential entertainment programming.

Full competition in communications markets would result in a gain of between $750 and $1,000 in consumer welfare per year, per U.S. household, as a result of new services deployed.

Methodology

Through years of research, The WEFA Group has developed a set of forecasting models that provide the framework for developing consistent and accurate views of the impact of various market and policy developments on specific industries and the U.S. economy. In July 1993, the WEFA Group completed a study titled The Economic Impact of Eliminating the Line-of-Business Restrictions on the Bell Companies. That study showed that full competition would result in millions of new jobs, significant benefits for the American economy, accelerated innovation and infrastructure investment lower telecommunications rates and encourage the development of enhanced information services. The result would be substantial consumers savings and the creation of millions of new jobs.

This study uses an updated methodology to examine the costs already incurred by delaying regulatory reform and evaluate the costs of further delays in deregulation.

It takes a well-defined set of assumptions and adjustments gained from research and analysis of the telecommunications industry and imposes them on the WEFA models. It forecasts the effects not only on the telecommunications industry but on the industries that buy from and supply to the telecommunications industry, and reviews how the supply and demand on both sides impacts industry prices.

Each study model assumes the eventual onset of full competition, including: (1) the removal of Federal and state regulatory barriers to competition; (2) the replacement of ''cost plus'' rate-of-return regulation with a streamlined form of price regulation for noncompetitive services; and (3) complete deregulation of competitive service offerings.

The models differ in two significant respects: one, the timing of full competition; and, two, the sequencing—while the Immediate Regulatory Relief scenario represents simultaneous entry into all markets, the three and five year delay scenarios open the local market to competition before the long-distance market.

THE PRESSLER AMENDMENT

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 15, 1995

Mr. HAMILTON. Mr. Speaker, next month Pakistani Prime Minister Benazir Bhutto comes to Washington and will be conferring with Members in several meetings on the Hill.

Bilateral relations between the United States and Pakistan since 1990 have been dominated by the Pressler amendment, which stipulates that no United States assistance shall be furnished to Pakistan, and no military equipment or technology shall be sold or transferred to Pakistan, until the President on an annual basis certifies that Pakistan does not possess a nuclear explosive device.

In an effort to inform Members prior to Prime Minister Bhutto's visit to the Hill about this legislation and its impact on United States-Pakistani relations, I ask permission to include in the *Record* testimony I submitted a few days ago to the Senate Committee on Foreign Relations.

THE PRESSLER AMENDMENT STATEMENT BY REPRESENTATIVE LEE H. HAMILTON, SUBMITTED TO THE SUBCOMMITTEE ON NEAR EASTERN AND SOUTH ASIAN AFFAIRS, SENATE COMMITTEE ON FOREIGN RELATIONS

First of all, Mr. Chairman, I wish to congratulate you for calling this hearing on a most timely subject. Four weeks from today, Pakistani Prime Minister Benazir Bhutto will be visiting Capitol Hill. Holding this hearing today on what has become the defining element in the bilateral U.S.-Pakistani relationship serves an important purpose by forcing us to examine the current status of, and prospects for, that relationship.

Let me add that I deeply appreciate the courtesy you have afforded me by inviting me to submit testimony as part of the official record of this hearing.

I also wish to take a moment to pay tribute to the two American diplomats who were killed yesterday in Karachi. The tragic deaths of Mr. Durell and Ms. Vanlandingham, as well as the wounding of Mr. McCloy, should serve to remind us that courageous American men and women place their lives on the line daily on behalf of the United States. I am sure that you join me in saluting their dedication and sacrifice, and calling upon the Pakistani government to spare no effort to bring their killers to justice.

Mr. Chairman, you have called this hearing to discuss our nonproliferation policies in South Asia. There are few issues of greater importance to U.S. security. The previous director of the Central Intelligence Agency identified the Indian Subcontinent as the most likely place in the world for the outbreak of a nuclear conflict—a catastrophe that would affect the United States as well as more than one billion people in South Asia.

Moreover, a failure to stop the spread of nuclear weapons in South Asia will also limit our ability to keep such weapons out of the hands of Iran, Iraq, North Korea, and other would-be nuclear powers. A world with fifteen or twenty nuclear weapons states is a world we don't wish to contemplate. So the importance of your hearing today—coming as it does only weeks before the international community is to convene in New York to determine the fate of the Nuclear Nonproliferation Treaty—cannot be overestimated.