

Clay T. Whitehead Tribute By Thomas W. Hazlett
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H.L. Mencken once said:

*The liberation of the human mind has never been furthered by ...
dunderheads; it has been furthered by gay fellows who heaved
dead cats into sanctuaries and then went roistering down the
highways of the world, proving to all men that doubt, after all,
was safe. . . .*

- Prejudices, Fourth Series

Clay T. Whitehead, who we always knew as Tom, was a great American – and by Mencken’s reasoning, a gay fellow. I am honored, but not delighted, to tell you a little bit about this man, who passed away July 23, 2008. Tom was teaching a communications course with Lisa Sockett when I arrived here at George Mason in 2005. I came to know him, and his utterly remarkable story. I cannot possibly do justice to it today.

But because it demonstrates the stunning impact a single person can have, what telecommunications policy analysis can achieve, and because my friends on the panel will do the heavy lifting, the program committee thought they’d give it a go. And for one more reason: Tom Whitehead is why we’re all here at TPRC this year, or any other. Tom Whitehead is the person responsible for starting this annual conference 37 years ago.

Tom Whitehead, with an E.E. Master’s and an Economics Ph.D., both from M.I.T. (where Paul Macavoy was his thesis chair), headed for Washington D.C. after a stint at the RAND Corporation. In 1970 he became the head of a new institution – the Office of Telecommunications Policy. It’s home, the Nixon White House.

Dale Hatfield, an eye witness, is going to tell you about the OTP. I can tell you just a bit. Tom opened the satellite industry to private competitors, a reform known as the “open skies” policy. Well before there was phone competition, cellular, cable TV entry to challenge broadcasters – when natural monopoly was the operative assumption

everywhere in the sector – and particularly so in the high fixed cost satellite industry – Tom Whitehead developed, pushed, and won FCC adoption of rules to permit multiple firms to offer satellite communications. That was huge. It created the means for cable TV program network distribution; competition was soon unleashed to broadcasting. Voice and data services were next. More importantly, it established the idea that monopoly was not inevitable. Competition was a bargain. The dead cat had been tossed.

Tom Whitehead was then instrumental in breaking up AT&T. David Gabel, whose father worked with tom, filled in fascinating details for me just last night. When the antitrust case had been teed up by the US DOJ, Secretary of Treasury George Schultz told the White House, “If you’re going to file the suit, please hold off until the Treasury gets past its next T-Bill sale. AT&T was floating more debt than the U.S. government, and the suite would roil markets. Tom Whitehead saw things with a new clarity – if the U.S. government had to tip toe around Ma Bell, maybe it was time to act. Tom, with the telecom policy portfolio, gave the high sign: the suit would go forward.

Leaving government, Tom went on to a spectacular career as an entrepreneur, founding a subdivision of Hughes that revolutionized cable network distribution, slashing costs for systems and programmers. Then, in 1985, he launched satellite services from Luxembourg that broke open the tightly controlled European video market. Today SES Astra serves over 120 million households, scores of cable TV systems, and has partners all over the world. Open skies have circled the planet.

What more could Tom do? Well, this whimsical engineer-economist proudly challenged – and overturned – an 1892 District of Columbia law that banned kite flying in Washington. And then he did something truly important. Tom Whitehead created the Telecommunications Policy Research Conference in 1972. I give you the story as told by Bruce Owen, now of Stanford, then an economist working for Tom at OTP:

TPRC got started in 1971 because Tom Whitehead requested and received a \$2 million budget for "research" at OTP. Then he asked me to help find ways to spend the money.

It was necessary to spend the money because otherwise OMB or Congress might not give us the same amount next year. It is remarkably difficult to find responsible and risk-free ways to spend \$2 million of research funds, or at any rate so it was back

in 1971. We found several projects that could be and were done by "beltway bandits." The results were not uplifting.

Each of the research contractors kept asking what result we wanted them to find. We explained to them that, if we knew the answers, it would not be necessary to do the research. The contractors were asea. Finally, they did their best to guess what answers we wanted and sent in their reports.

Tom asked whether there was not a better approach. I told him that academic researchers might do better, at least in coming up with their own answers, but that academic researchers often found it difficult to produce useful research in response to short-term contracts. Tom suggested that we should explain out needs to researchers, and listen to what they were working on, and perhaps that would make it easier to spend this money in the future.

And so TPRC was established, essentially, as a way to spend research money more responsibly. Just don't ask how Tom came up with the \$2 million figure for the research budget in the first place.

Bruce M. Owen
Stanford University: Gordon Cain Senior Fellow,
Stanford Institute for Economic Policy Research;
Morris M. Doyle Centennial Professor in Public Policy

INTRO: Lisa Sockett.

INTRO: Margaret Whitehead.

INTRO: Dale Hatfield.

CLOSING: Tom Hazlett.

Brian Lamb, the founder and CEO of C-SPAN, among the first basic cable networks, and a man who worked with Tom Whitehead at the OTP, describes the situation this way:

Just to give you an idea, in those days, if I needed time to get to all the cable systems in the United States it would have cost, we figured, about 15 million dollars [an hour] for me to have a

transmission system that I would buy from AT&T – that was about your only choice – to get to all these cable systems.

[That was the effect of COMSAT – the sole authorized U.S. satellite service, 50% owned by AT&T. Lamb notes that the cable industry was stifled by this monopoly bottleneck. The way out began when FCC Chairman] Rosel Hyde said to Tom Whitehead – a 31 year old guy talking to a guy twice his age – “We want to launch a domestic satellite system and we want to make it a single entity. We want to get everybody together in one little company – ABC, NBC, CBS, Hughes, RCA, AT&T – all together and we’ll form a board and all that stuff the same as with COMSTAT, and we’ll have one company launching the satellites and we’ll get on with it,” Tom, at that age, said “Huh uh. That is the dumbest thing ever. This country is a competitive country, a competitive environment, and the marketplace decides.” He single-handedly, with all the people that he worked with, put together a policy called Open Skies. Without Open Skies, we would not have been a network.

Open Skies was proposed by the White House to the Chairman of the FCC, Dave Birch, who took over after Rosel Hyde left, and they adopted the Open Skies policy... Western Union put up the first domestic satellite in April of 1974; RCA put up a satellite that began operating in 1975; Hughes Corporation; GTE [] put one up – there were six in the beginning. . . . Six is a pretty good number. . . . I could buy [at] 100 dollars an hour. But if young Tom Whitehead hadn’t come along and said, at the point when Rosel Hyde, who was a Republican and should have been a marketplace guy at the time – you can see how labels get turned upside down in this town. . . . [I]f Tom hadn’t been there, no one else was paying attention in the White House.

Brian Lamb
Founder and CEO of C-SPAN

Yes, Tom was paying attention to the details, and yet never lost sight of the grand strategy of policy reform. It wasn’t a game to him. He was a future that eluded so many others, and was just brave and crafty enough to get there.

A visionary who challenged the monopoly model in the sanctuary, who spoke truth to power, Tom Whitehead truly shifted paradigms, and then went roistering down the highways of the world,

literally launching disruptive technologies that proved to all mankind that doubt, after all, was safe, and delivered really cool new services.

My deepest gratitude goes to Tom Whitehead for that amazing contribution. And, by the way, for TPRC. My deep appreciation right now goes to my colleague Lisa Sockett, and to long-time friend Dale Hatfield, who has himself mentored so many scholars in this room and around the world. Their wonderful remembrances are very special. I especially wish to thank Margaret Whitehead for picking up the baton, working tirelessly to make Tom's treasure trove of insight and historical documentation of the telecommunications policy process available for serious academic research.

This concludes our session.