

economics at Virginia Tech, Blacksburg, Virginia. In his submission, he states: "The most practical way to assess the value of spectrum use is to create an options market in spectrum use rights.

"If every user were required to pay the amount that some other would be willing to pay for the use of a similar resource, that would achieve simultaneously the public appropriation of the value of the frequency spectrum, the efficiency of continuity in assignments, and private retention of the component of the value of frequency allocations that arises from the labour and capital that have been invested in particular applications.

"The required options market could be created in the following way. Once a year or so the NTIA would solicit bids for spectrum use from anyone who wished to participate. These 'spectrum assessors' would be required to make offers on a wide range of frequencies, perhaps as many as would typically be allocated to several dozen users. To avoid appropriating the value resulting from the labour and capital of users, assessors would be required to provide assessments that did not take sudden jumps at particular frequencies, and that varied geographically according to reasonable factors such as population density and income.

"Each assessor would post a bond, guaranteeing that if a frequency allocation became available, someone could be found who would be willing to pay the assessed rent. If no-one wished to pay the assessed rent, the frequency would be assigned to the person who bid the highest rent, and the assessor's bond would be docked for the shortfall. For his services, an assessor would be given something like 1% of the rent collected from those allocations for which he was the assessor who stated the highest value."

MRS THATCHER, while pursuing her policy of privatisation, favoured a direct auction among prospective TV companies to establish the market rent of the spectrum.

But this economic principle has been compromised. In April, Home Office minister David Mellor announced that a new clause was to be inserted into the Broadcasting Bill which required



• David Mellor: New clause under attack

the new Independent Television Commission to allocate franchises by also taking into account the quality of programmes. This clause, incorporated after pressure from existing franchise holders, rests on the logic that some entrepreneurs would out-bid others by offering low-cost/poor quality programmes.

This special pleading is attacked by Prof. Tideman. He suggests that the British government should stick to its original plan, and allocate franchises to the bidders of the highest rents. Then, it would be possible to negotiate subsidies for programmes on the basis of whatever the government believed to be in the public interest.

The debate over the rent of the airwaves is not an academic one. Because of the under-pricing of a natural resource, over the decades taxpayers have been denied billions of dollars which legitimately belonged to the public coffers. The economic consequences have been serious. One is that the burden of taxation on wages and profits have been higher than they need have been - for the sake of providing windfall gains for the corporations that are given cheap access to the radio spectrum

Economists have yet to trace the knock-on effects of this failure of public policy on jobs, the level of prices and competition. But the consequences have been enormous; because hundreds of billions of dollars have been diverted into the pockets of the broadcasters in rents that they would have gladly paid to the Treasuries of the world for the right to use a public resource!

* Federal Register, Vol. 54, No. 235, Dec. 8, 1989, p. 50702.

Ranchland grazing gives food for thought

THE scale of underpricing publicly-owned ranchland in the US is indicated by the fact that, last year, the Bureau of Land Management spent about \$43m on management and improvements but received only \$17.8m in grazing fees. Taxpayers make up the difference.

The policy of under-renting the grazing land — 174m acres under the

direct control of the BLM — began with President Ronald Reagan. Efforts to raise the rents and lower the over-grazing have been thwarted by politically well-connected ranchers.

A Democrat Representative, George "Buddy" Darden, introduced a Bill to raise BLM fees closer to the price that a rancher would pay a private landowner

for grazing rights. Washington observers say that the Bill will not make it out of the House Interior Committee, which is stacked with politicians representing the western cattle states.

Syndicated columnist Jack Anderson has a description for this official largesse: "It is nothing more than living on the public dole."