

NC SPIN  
Tom Campbell

## Easley should veto phone deregulation

I challenge you to show an industry that has been de-regulated that resulted in the industry, individual businesses, the customers, and employees being better off than before deregulation. Don't even think of suggesting trucking/common carriers, airlines, telephones, or broadcasting. Power companies are such an entanglement that nobody really wants to tackle them and the jury is still out regarding banking.

So when our legislature proposes a bill that is purported to deregulate a public monopoly and improve competition we should bring a healthy skepticism and lots of input into the discussion and debate on the bill. But such has not been the case with the bill sponsored by the three big phone companies that, among other things, prohibits the State Utilities Commission from setting rates based on the company's profitability.

This legislation is worrisome for three reasons.

First, the speed with which this bill sailed through both houses of the legislature causes concerns. Phone companies are big contributors to political campaigns and wield great influence with lawmakers. That fact should cause legislators to proceed cautiously and publicly to avoid the appearance they are unduly influenced by phone companies. This bill was greased on a fast track from the get-go.

Second, it lessens the authority of the State Utilities Commission. This body has served us well in times past and has ensured that regulated monopolies were guaranteed reasonable profits while also making sure consumers received good service. Utility regulation is complicated and deserves full deliberation.

This bill will tie the hands of regulators to a large extent. If that is desirable let us know why no one, other than the phone companies want it that way.

We know that Commissioner Bobby Owens has been outspoken in opposition to this bill. Owens has more information than do we (or most of the legislators voting on the measure). We should heed his warnings and go slow.

The third and most compelling argument is that nobody, with the possible exception of the phone companies, really knows what this bill does. It is possible that critics are right in saying it is anti-consumer and anti-rural. It is also possible it will create more competition and lower prices. Maybe it is sound. Maybe not. Common sense says "When in doubt, don't."

We want our phone companies to be strong and competitive, but we also want to make sure the public is well served. Governor Easley should veto this legislation with the instruction that we start over with full disclosure and open debate. That way everyone benefits.

*Tom Campbell is former assistant State Treasurer and creator of NC SPIN which airs weekly statewide on twenty television stations. Contact him at [www.ncspn.com](http://www.ncspn.com)*

## Deflation: welcome or not?

### YOU DECIDE

DR. MIKE WALDEN

N.C. Cooperative Extension

There's a new word being added to our economic lingo, and it's deflation. Deflation means most prices are falling, rather than rising.

For the fifth time in last 20 months, we experienced deflation in consumer prices in April. And, the Federal Reserve (Alan Greenspan and company) said there's a possibility deflation may become the norm, rather than the exception.

In fact, deflation has been occurring for a while for many manufactured products. Prices of computers and other high-tech products fall almost every year. Clothing prices have dropped for five years, and car prices, after accounting for incentives and discounts, have been soft for two years.

Prices for services, from plumbing services to doctor visits, are another matter. They have continued to rise, and in recent years, are responsible for keeping the overall measure of price change positive.

There are some simple reasons for the difference in price trends between manufactured products and services.

Manufactured product prices have been pushed down by improved efficiencies and productivity in manufacturing processes and by the globalization of manufacturing.

More and more manufacturing companies have overseas factories that sometimes can produce at lower costs.

In contrast, services tend to be very labor intensive, where high-tech processes aren't as much use as on the factory assembly line.

Also, the labor must be used to deliver the service, and this makes foreign production of many services infeasible.

For example, a plumber in India can't fix your leaky faucet, but an Indian factory worker could manufacture the pipes.

It's vital to recognize all deflation is not the same. In fact, we can talk about three kinds of deflation: good deflation, bad deflation, and "so-so" deflation.

Good deflation is the

kind caused by improved productivity and efficiency. Many manufactured products can today be made at a fraction of their previous cost as a result of using high-tech machinery and techniques on the factory floor. This kind of deflation is a "win-win." Factory workers can be paid more because they produce more output per hour, and consumers are better-off by paying lower prices.

Bad deflation results when the economy is weak and prices are falling because consumers aren't buying. The best example is the deflation that occurred during the Great Depression in the 1930s. The weak economy not only leads to falling prices, but also to falling wages and salaries. This kind of deflation is a loser for most people and businesses.

"So-so" deflation derives its name because it's associated with winners and losers. In recent years, this type of deflation has resulted from foreign competitors selling more products in the U.S. U.S. consumers have benefited by paying lower prices for the imported products. But U.S. workers and companies compet-

ing with the foreign producers have often lost by losing market share and jobs.

All three brands of deflation have affected the U.S. economy in the past decade. Certainly the increased productivity brought about by the technological revolution has spread "good deflation" over the U.S. economy, particularly during the 1990s.

But in North Carolina, the textile and apparel industries have been directly affected by "so-so deflation." And, during the recession and economic slowdown of the past three years, "bad deflation" has also been at work.

Although at first glance, deflation may sound good, this is not always the case. Deflation comes in different flavors, and the taste of the flavor will color our decision to welcome or resist deflation.

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## Letter to the editor policy

The Perquimans Weekly welcomes the opinions of its readers. Letters should be limited to 300 words and should include the name, address and telephone number of the writer. Letters without signatures or telephone numbers will not be printed. Only the name and city of residence will be published with the letter.

The subject matter should be of interest to the community, not a personal gripe. Letters may be edited for clarity and space limitations.

Submit your letters to The Perquimans Weekly, P.O. Box 277, Hertford, N.C. 27944, or drop them off at our office at 199 W. Grubb Street. Call 426-5728 for more information.

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## Edwards: President or Senator?

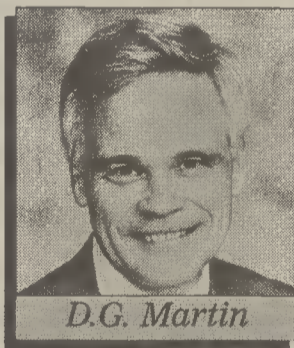
How are we going to keep our U.S. Senate seat if John Edwards won't decide what he is going to do?

You would hear this question being muttered if you were listening to some North Carolina Democratic Party regulars.

Here is why they are worried. They think that if Edwards waits until late this year or early next year to decide whether he is running for President or the U.S. Senate, or both, it may make it impossible to beat the presumptive Republican senate candidate, Congressman Richard Burr.

If Edwards only then decides not to run for the Senate, they say, it will be too late for another Democratic candidate to mount a strong campaign.

What galls some of them is their belief that other Democrats, like last year's Senate candidate Erskine Bowles, would stand a better chance of beating Burr than Edwards would. Edwards, they believe, has torpedoed his chances with



moderate North Carolina swing voters by his appeal to the more liberal Democratic voters whose support is necessary to

win presidential primaries in other states.

Bowles, they think, could still hold on to substantial political and financial support from enough business leaders and moderates to compete with Burr. But, they say, until there is a Democratic alternative like Bowles, Burr will have a free hand signing up support (and money) from such people. Six months from now, they say, it will be too late for another Democratic candidate.

All this makes sense. But there is another side to the story.

It is this. John Edwards' best chance to retain his senate seat is by running for President.

Why? Money and publicity—the two most important assets for a senate candidate these days, and the hardest to come by.

On the money side, even

a senator as wealthy as John Edwards cannot afford to pay the enormous cost of a reelection campaign by himself. But fundraising is a tough business. Most Democratic senate candidates can look for substantial help from a group of moderate and liberal political action committees (PACs). But not John Edwards. He has promised never to accept contributions from PACs.

Therefore, even if he secured generous financial support from individuals in North Carolina, it might not be enough to compete with a well-financed Republican candidate like Burr.

To raise enough money for another senate campaign without PAC help, Edwards needed to follow the example of former Senator Jesse Helms by building a broad based group of national financial supporters.

With very impressive early fundraising success in his presidential campaign, Edwards is on his way to achieving this goal.

Of course, not all of his presidential contributors will help again in a senate race. But many will, and some will help over and over again.

In the meantime, their money is paying for an up-and-running Edwards organization that can be converted to the senate campaign when he gives the word.

Then, there is the publicity. An ordinary first-term senator has a hard time keeping his name before the public at home.

Edwards' presidential campaign, however, gets his name on the front page of every North Carolina newspaper almost every day, it seems. In a very short time he has built a bank of name recognition that every other politician would envy.

So, the next time you run into a loyal Democrat who insists that Edwards is "risky" a Senate seat by running for President, just remember these two words: money and publicity.

They are the most critical assets for a senate campaign, and Edwards is putting them in the bank every day.

*D.G. Martin hosts UNC-TV's North Carolina Bookwatch, which airs Sundays at 5 p.m. This week's (June 8) guest is Dr. Mel Levine, author of New York Times best seller, "A Mind at a Time."*