



Written by [Bob Adelman](#) on April 30, 2013

42 House Republicans Propose Ending “Obama Phone” Subsidy

When Rep. Tim Griffin (R-Ark.), the sponsor of legislation to end the Lifeline mobile-phone subsidy for the poor, [noted](#) that “It’s not fair that people save and work and pay for phones from whatever funds they have, and other people get them for free,” he also said that “It’s [also] not fair [that] the biggest beneficiary of this is Carlos Slim, the billionaire owner of TracFone.” This ignited indignation from a TracFone spokesman who responded, “It doesn’t matter who owns the company. Tim Griffin needs to focus on finding jobs, not trying to focus on a valuable program.”



What Griffin is focusing on is the inherent unfairness of taking funds from those who earned them in order to give them, in the form of free (or heavily discounted) mobile phone services, to others just because they need them. Said Griffin:

People say, “Well, everybody needs a cellphone. Well, what does ‘need’ mean? Do you need an iPad? How about a computer? A printer?”

According to the Communications Act of 1934, the answer is yes. In its preamble, the act calls for “rapid, efficient, nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges” to “all the people of the United States.” When it was modified in 1996, the purpose was expanded to provide such service “without discrimination on the basis of race, color, religion, national origin, or sex.” All a person needed to get a free phone and a discounted monthly service fee was to show an income at or below 135 percent of the [poverty level in the United States](#), which currently translates into roughly \$2,610 a month for a family of four.

[Marc Slavo saw this coming](#) back in February 2012 when he sarcastically noted that these new “Obama phones” were part of what it now means to be an American:

One of the complaints about the U.S. Constitution recently, being as outdated as it is, is that it fails to guarantee certain unalienable rights such as free medical care, housing, food, and of course, the right to bear cell phones.

And, although the founders failed to specifically cite social programs as a necessary element for promoting the general welfare, the living nature of our founding document has been interpreted by political and legal scholars alike to allow for the seizure of assets by force from one group of people in order to redistribute those assets in a fair and responsible manner to those less fortunate.

That’s the problem that Griffin and the other 41 House Republicans are facing when they want to turn off the subsidy. It’s been a part of the American welfare state for so long that it’s taken for granted. And entrepreneurs with ties to the corporate elite like Mexican billionaire Carlos Slim are simply taking advantage of the system, because they can.



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Carlos' rise from near poverty, making 200 pesos a week in his father's company at age 17, to the world's richest man, surpassing Warren Buffet in 2007, shows clearly that without the help of the Mexican government and other friends in high places in the United States, Carlos would still be working for peanuts in obscurity. Instead, he owns and is chairman of América Móvil, Latin America's largest mobile-phone carrier. Its subsidiary, TracFone Wireless, raked in nearly \$500 million of the \$2.2 billion subsidy that Slavo and Griffin were complaining about, or more than a quarter of its revenues in 2011.

The subsidy doesn't come directly from U.S. taxpayers, however, just from those who buy and use mobile phones the usual way: by paying for them with their own money. Providers of those communications services then "contribute" a portion of their revenues to the Universal Service Fund (USF) which was created in 1997. Those revenues are then collected and sent to a separate dispersal agency, the Universal Service Administration Agency (USAC) with precious little oversight from the originating agency, the Federal Communications Commission (FCC).

Over the years the USF has come in for its fair share of criticism for abusing its delegated authority. Three lawyers took USF to task following their investigation of the agency in 2011, titling their report "[The Mis-Administration and Misadventures of the Universal Service Fund](#)."

Last year the FCC trimmed the USF's wings a little, by requiring those receiving "Obama phones" to show that they qualified. What happened was predictable: TracFone said it couldn't verify 739,500 of its customers (one in every five!), while Sprint couldn't verify 1.6 million of its customers and AT&T couldn't verify 609,900 of its "Obama phone" customers. They dropped them from the service, halting the exponential growth in that subsidy which tripled from \$772 million in 2008 to \$2.2 billion last year.

Griffin and his Republican supporters are on the right track. There is no way that a government giveaway program which is based on theft and "need" can be reformed or limited. It must be defunded. Then all the other issues about corruption and self-dealing and crony capitalism rewarding insiders become irrelevant.

A graduate of Cornell University and a former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at www.LightFromTheRight.com, primarily on economics and politics. He can be reached at badelmann@thenewamerican.com.



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