Telecommunications Regulation

ITS 214
Discussion of Telecommunications Regulation: An Introduction,
By: Nicholas Economides

What these slides ...

- Do
  - Highlight specific points made in the reading for discussion
  - Encourage you to read/re-read the relevant material
- Don’t do
  - Replace the reading
  - Give you all the relevant information

“Major Driving Forces”

- Page 5:
  - Reduction in cost of transmission and switching
  - Digitization
  - Breakup of AT&T
  - The 1996 Telecommunications Act
  - Value is in content rather than transmission

Continued...

- Move towards multi-function, programmable devices
- More wireless spectrum available
- Standards make for easier interconnection
- There is value for a customer to connect to a large network
- Small isolated networks cannot survive
Reasons for Regulation (p.7)

- Goal: Efficiency, or maximize overall profit (monetary, benefit to society, etc.)
- Competition is the preferred tool, unless
  - Markets can't work properly to create competition
  - Social goals are desirable, but inefficient
  - Social benefit is different from economic benefit
  - Public Safety
  - Coordination of standards

Drawbacks (p.11)

- Regulators don't generally have good technical information
- Regulation creates barriers to entry
- Regulation can be slow and cumbersome
  - Subject to delay
  - By contrast, antitrust complaints go to the courts
- Public interest components lead to rent-seeking
  - Rent-seeking = getting a benefit without adding value
- Hard to define which new products need regulation