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THE ECONOMICS AND REGULATION OF NETWORK INDUSTRIES

Telecommunications and Beyond

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The Economics and Regulation of Network Industries

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Abstract: Have you ever wondered how your telephone company or Internet service provider can give you access to almost all the people in the world or how electricity suppliers can compete with each other if there is only one electric supply line passing through your street? This Element deals with the economics and public regulation of such network industries. It puts particular emphasis on the specific economic concepts used for analyzing them, and on the regulatory reform movement and the compatibility of regulation and competition. Worldwide, most of these industries have changed dramatically in recent years, telecommunications in particular. Network industries mostly exhibit economies of scale in production and similar economies in consumption ('network effects'). Both of these properties cause market power problems that often require industry-specific regulation. However, due to technological and market changes network policies have moved on from end-user regulation to wholesale regulation and, in some cases, to deregulation.

Keywords: network industry, economies of scale and scope, network effects, incentive regulation, deregulation

JEL classifications: L43, L51, L96, L97

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Contents

1	Introduction	1
2	Economic Concepts Associated with Network Industries	8
3	Regulatory Approaches Based on Monopoly Provision	19
4	The Emergence of Competition and Its Effect on Regulation	34
5	From Telecommunications to the Provision of ICT Services	54
6	Deregulation and Competition Policy	66
7	Conclusions	76
	References	78