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Telecommunications Policy 27 (2003) 479–480

TELECOMMUNICATIONS
POLICY

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Editorial

Practical steps to spectrum markets

Pressing demands to use radio spectrum today go unmet. Policy makers grapple with competing requests for bandwidth, conflicting evidence as to interfering emissions, and confusion over the public interest. Some claimants allege that spectrum is often under-utilized or wasted; counter-claims portray the airwaves as dangerously over-crowded.

Economists see this maelstrom as the predictable result of ill-defined rights to radio spectrum. Without the advantage of market allocation, regulators are forced to evaluate competing uses, technologies, and market structures. Shortages develop because, even as wireless licenses are auctioned to bidders, the underlying resource—radio spectrum—continues to be allocated administratively. The price mechanism, which reveals the relative values of other economic resources, is pre-empted by law. Spectrum bands are reserved for services providing very modest customer benefits while intense demands for new wireless technologies are thwarted by lack of access to radio waves.

In February 2001, a group of 37 prominent policy economists submitted a succinct outline for spectrum allocation reform to the Federal Communications Commission in Washington, DC. In it, they outlined a program to allow markets to allocate radio waves.¹ This proposal, part of the federal government's ongoing study of market mechanisms to remedy the spectrum dilemma, has generated serious consideration, and a host of further questions. To confront these issues, the AEI-Brookings Joint Center for Regulatory Studies held a conference on November 9, 2001: "Practical Steps to Spectrum Markets."

United States Senator Ron Wyden, a Democrat from Oregon and a member of the Commerce Committee (with oversight responsibilities for the FCC), introduced the symposium by stressing the need to encourage flexibility in wireless technology. The editor's paper outlined a comprehensive liberalization program, and proposes that regulators simultaneously seize specific 'targets of opportunity' to unleash new competitors in wireless markets for video and broadband. Greg Rosston noted that the best deregulatory intentions can go awry, illustrating this argument with reference to recent FCC missteps in the 700 MHz band. Coleman Bazelon expanded on the 700 MHz rules by analyzing the 'guard band managers' used to create and police flexible rights to frequencies. Michele Farquhar and Ari Fitzgerald detailed the substantial legal underbrush that must be cleared before secondary markets can bloom. Mark Bykowsky explores rules that would encourage liquidity in evolving spectrum markets. And, finally, Giancarlo Ibarguen delivered an

¹Federal Communications Commission, *Promoting Efficient Use of Spectrum Through Elimination of Barriers to the Development of Secondary Markets: Comments of 37 Concerned Economists*, WT Docket No. 00-230 (February 7, 2001), <http://www.manhattan-institute.org/hazlett/ct hazlett010207.pdf>.

assessment of perhaps the most far-reaching wireless policy reform yet undertaken, the property rights for spectrum use issued in Guatemala in 1996.

We hope that these papers will contribute incremental value to the spectrum policy debate, stimulating additional research, proposals and reforms that will yet produce new efficiencies in actual markets.

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