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Abstract In any given year, the Federal Communications Commission confronts many issues of interest to economists. This paper summarizes four issues of interest during the last year: Spectrum Auctions, Media Ownership, Quality-Adjusted Cable Prices, and Leased Access. It highlights the role that economic analysis played in each and identifies areas where further research would be fruitful.

Keywords Federal communication commission (FCC) · Spectrum auctions · Media ownership · Quality-adjusted cable television prices

1 Introduction

The Federal Communications Commission (FCC) is an independent United States federal regulatory agency charged with regulating interstate and international communications by radio, television, wire, satellite, and cable. Its mission is to ensure that
the American people have available rapid, efficient communications services at reasonable cost and without discrimination. The Commission has both quasi-legislative and quasi-judicial powers. The former are embodied in “rulemaking” proceedings, typically involving the development or implementation of regulatory policies. The latter are embodied in adjudications, including the review of mergers that involve the transfer of spectrum licenses or authorizations to provide interstate telecommunications services.

Economists play a prominent role in many FCC proceedings. Unlike at the U.S. and E.U. competition agencies, the FCC’s 50+ economists are (for the most part) organized within bureaus according to industry specialty. Economists therefore work closely with lawyers and engineers (as needed) on issues as they come before the Commission.

In the last year, there have been many issues of interest to economists, including mergers (Liberty Media/DirecTV, XM/Sirius), the 700 MHz spectrum auction, regulatory reform for Universal Service obligations, issues surrounding “network neutrality” (Comcast/BitTorrent), media ownership rules, and regulatory issues in cable television markets (leased access, wholesale tying, and quality-adjusted cable prices). It is impossible to treat carefully all of these issues; consequently in this article we will focus on four of them: spectrum auctions (especially the 700 MHz auction), media ownership, quality-adjusted cable prices, and leased access in cable markets. These were chosen in part to reflect those issues that most captured the public’s attention (700 MHz; media ownership) and in part to highlight how relatively simple economic principles can inform relevant policy-making (quality-adjusted cable prices, leased access).

The remainder of this paper is organized as follows: Section 2 summarizes recent developments in FCC Spectrum Auctions with an emphasis on the 700 MHz auction. Section 3 summarizes the recent media ownership rules and how they related to economic research sponsored by the FCC. Section 4 introduces a measure of quality-adjusted cable prices, and Sect. 5 describes the recent change in maximum rates for leased access to statutorily-required cable system channel capacity. Section 6 concludes.

2 Spectrum Auctions

2.1 Background

The FCC was first granted authority to auction licenses for spectrum in 1993 and, with several exceptions, was required to auction licenses for spectrum in 1997. The general goal for spectrum allocation is to ensure that it is used for the benefit of the national

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1 Each of the largest bureaus (Media, Wireless Telecommunications, Wireline Competition, and International) has its own Chief Economist and numerous staff economists. The Commission’s Chief Economist is located in the Office of Strategic Planning and Policy Analysis and reports directly to the Chairman of the FCC.

2 Froeb et al. (2008) discuss the tradeoffs between a functional and divisional organization for economists within policy organizations.

3 Much of this background section borrows extensively from Marx (2006) and Connolly and Kwerel’s (2007).