



# NEWS

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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action.  
See MCI v. FCC, 515 F 2d 385 (D.C. Circ 1974).

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## **INTERNATIONAL BUREAU ISSUES SECOND WORKING PAPER**

*“The Limits of Economic Regulation: The U.S. Experience,”*

*By Peyton L. Wynns*

The FCC International Bureau announces the release of its second working paper.

The paper is “The Limits of Economic Regulation: The U.S. Experience,” by Peyton L. Wynns. The paper describes regulatory experience in four industries in which network connections are important: airline, railroad, trucking and telephone.

The paper, which was originally presented at conference in Moscow in June 2003, identifies common themes regarding economic regulation particular to those industries. The paper demonstrates that in all four industries, deregulation led to enormous productivity improvements and that direct subsidies can work. The paper suggests that much of traditional economic regulation such as entry control, exit control, and price regulation is now in disrepute. It also identifies several general limitations of regulation: regulation inevitably leads to the need for additional regulation, the regulation process is slow, regulation cannot always be technologically neutral, regulation slows new business strategies, regulators are unable to predict accurately the future, and regulated firms become dependent on regulation. The paper also provides several suggestions concerning future regulation, such as the benefits of regulatory flexibility, the importance of data collection efforts by government agencies, the value of benchmarks for assessing regulated companies, the need for independence of the regulator, the importance of transparency and impartiality of the regulator and the benefits of direct subsidies and auction mechanisms compared to indirect subsidies and “beauty contests” to select winners.

The International Bureau Working Paper Series are intended to stimulate discussion and critical comment within the FCC, as well as outside the agency, on issues in international communications policy. Titles may include preliminary work and progress reports, as well as completed research. The analyses and conclusions in the Working Paper Series are those of the authors and do not necessarily reflect the views of other members of the International Bureau, other Commission staff, or the Commission itself. This document will be available on the FCC's World Wide Web site at [http://www.fcc.gov/ib/working\\_papers/](http://www.fcc.gov/ib/working_papers/).