A new white paper entitled " Wireless Competition: An Update " has been released.

International Center for Law and Economics Academic Affiliates Hal Singer and Robert Hahn have just released a white paper exploring broader implications of recent FCC Wireless Competition Reports for spectrum policy. The paper serves as a complement to a recent article the two authors penned along with a former chief economist of the FCC in the Federal Communications Law Journal that critiques the way the FCC conducts competition analysis in the wireless industry.

As the paper notes,

For over a decade, as wireless prices fell and industry concentration inched upward, the FCC concluded that the wireless market was competitive. Under new leadership but with the same fact pattern—prices continued to fall, concentration continued to rise—the Commission changed its tune. For the last two years, it retracted its stamp of competitiveness in favor of a “too-close-to-call” decision.

Ignoring politics, we can think of two plausible explanations for the agency’s change of heart. Under the first explanation, the FCC previously weighted direct evidence of competition such as falling prices more heavily than indirect evidence such as concentration, but it elected to place more weight on indirect evidence in the last two competition reports. Under the second explanation, the FCC did not change the weights, but it instead felt that concentration reached some critical threshold such that the societal loss associated with any more concentration was unacceptable. We don’t find either explanation persuasive.

As explained more thoroughly in the paper, the wireless market is dynamic, making typical static measures ill-suited to capture market power. Although there is much more in the actual report, for current policy discussions, the authors believe that the FCC should focus efforts on satisfying spectrum demand and worry less about structural competition,

Given how competitive the wireless marketplace looks today, regulators should keep in mind that the benefits of injecting even more competition at the margin (by changing the auction rules) could be small, whereas the costs of failing to satisfy the spectrum demands of incumbent carriers and of inducing uneconomic entry (think NextWave) may be significant.