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Managing Spectrum: Why Economics Matters



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Economics matters in spectrum...
but so does governance

Ellen P. Goodman

Rutgers University School of Law

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Dr. Baumol confronts:

- Problems of transition
- Problems of inflexible governance structure and vested interests in end-state regime
- Problem of multidimensional policy goals

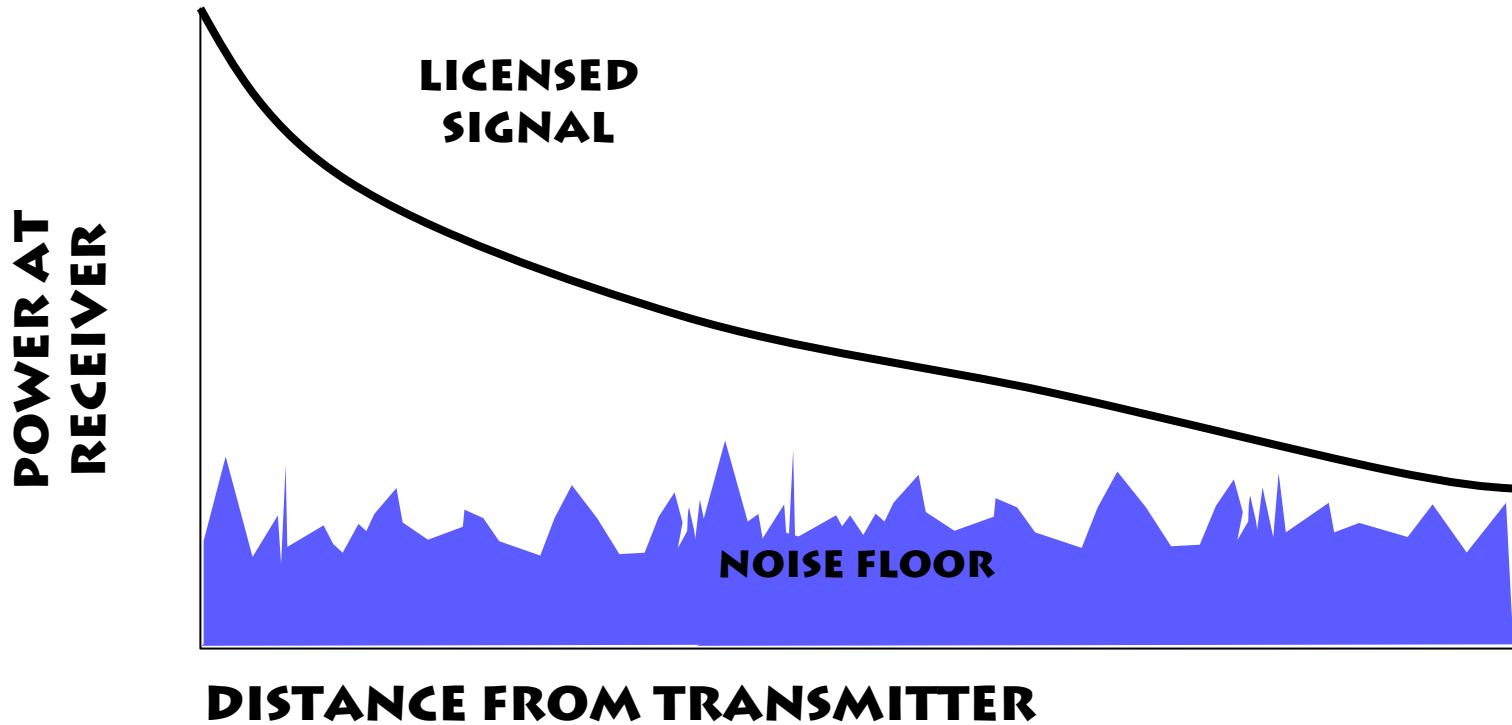
Licensee's spectrum entitlements

- Privilege to transmit
- Right to be free from harmful interference from everyone
- Duty not to cause harmful interference to other co-equal licensees
- *No right to exclude (prevent transmissions that do not cause harmful interference)*

Fallacy of underlay rights as easements

- Non-interfering “easements” are not carve-outs of rights
- Blanket policy against non-interfering easements creates new right to exclude

Entitlements



Merits of rights expansion – depends on physics

- Bad case:
 - More risk of harm (high power, low band)
 - Low transaction costs (narrow band transmissions)
- Better case:
 - Less risk of harm (low power, high band)
 - High transaction costs (wideband transmissions)

Ex post dispute resolution

- Interference disputes eliminated ex ante through mandated inflexibility
- Flexibility, transferability → more interference
- “no interference” standard cannot hold