

## BOOK REVIEW

### **Internet Policy and Economics – Challenges and Perspectives, Second Edition**

William H. Lehr and Lorenzo Maria Pupillo

Editors

2009

Springer: New York, USA

228 pages including author details and index

£35.99

Paperback, ISBN: 978-1-4419-0037-1

In the rapidly changing environment of the Internet, it is sometimes necessary to analyse what has been done so far in order to ponder our current position and the challenges that need to be faced. This book is a collection of essays that invite the reader to reflect on a number of Internet-related issues that are part of the agenda of policymakers and market players.

This volume's eleven essays have been grouped into four parts: policy challenges, development challenges, privacy challenges, and economics challenges. The chapters are all based on debates carried out in Europe or the United States. The majority of the authors are scholars with broad experience as researchers, and the editors have a solid reputation in the telecommunications regulatory field. This is the second edition of a book published in 2002 entitled "Cyber Policy and Economics in an Internet Age" (Kluwer Academic Publishers, Boston, USA). For this new edition, a few chapters of the previous version have been taken out, new ones have been added, and others have been left as they were originally, because the studies carried out at that time are still valid.

The introduction of the book, which is also Part 1, was written by the editors (Lehr and Pupillo). It explains the reasons for preparing an updated second edition of the book, and summarises each of the chapters.

Part 2 covers the policy challenges and contains three chapters. A reader interested in understanding the history behind the current telecommunications regulatory framework in the European Union can find in Martin Cave's chapter a good description of the evolution of

legislation over the last few years. The author explains the major points of the 1998 legislative package that liberalised the telecommunications market in the European Union, and the regulatory framework that came into effect in 2003, which relied strongly on competition law. Cave describes that one problem of the 2003 regulatory framework is the lack of sufficient incentives to motivate investment in new infrastructure, which is a topic that was addressed again a few years later when defining the current regulatory framework.

Brett Frischmann describes a theory based on economic arguments that supports the use of basic infrastructure in an openly accessible manner. This chapter explains why infrastructure resources not only contribute to commercial goods, but also to social and public goods. Given that in some cases demand does not properly reflect important non-market uses of infrastructure, market forces will not be enough for the provisioning of these goods. Subsidies might not be the proper solution due to their broad implications, but open access to infrastructure might create positive externalities that benefit the whole society.

Mark Jamison and Janice Hauge examine a few issues related to the network neutrality debate in the United States. In addition to discussing how network providers can technically provide premium and standard transmission services, and the impact of premium transmission on innovation, subscription and incentives to harm rivals, they also examine the provisioning of decaying and nondecaying content. Decaying content is content whose value is time sensitive and decreases when transiting the network, while the value of nondecaying content does not decay with the time it takes to pass through the network.

The two chapters in Part 3 address development challenges. Eli Noam explains why broadband Internet should not be the priority for developing countries. Noam identifies three types of gaps between developing and developed countries: telecommunications connectivity, basic Internet access, and the use of E-transactions, E-commerce and E-content. Telecommunications connectivity is promoted by investment in infrastructure and by policy reform. Once telephone lines are in place, a few specific policies can be implemented to stimulate basic Internet usage. The author proposes changing the focus in developing countries from high-speed broadband connectivity towards universal connectivity and the support of E-transactions, E-Commerce and E-content.

The chapter written by Lorenzo Pupillo explains how information and communications technologies affect copyright laws and the entertainment industry, and describes the market, public and cooperation economy's approaches to addressing these issues. The author finds that open source software might meet the needs of developing countries, but warns about the governmental policies that could be taken to promote its use. The author makes recommendations for how developing countries could tackle issues such as database protection, copyright in the digital world, and computer software (protection, reverse engineering and open source).

Part 4 contains two chapters dedicated to privacy. Hal Varian addresses some of the economic issues about personal privacy. Varian describes the role of privacy in economic transactions and analyses the markets for information, the incentives for the payment for information, aspects related to personal information and the cost of acquiring public information. The author proposes that the rights people have with regard to information about themselves could be leased to others for specific purposes, but they should not be resold without explicit authorization.

Nadine Strossen's chapter contains the original chapter written in 1999 concerning the relationship between cybercrime and cyberliberties, and an introduction for the latest edition. The first topic addressed in the chapter analyses the possibility that the exercise of a few liberties, such as free expression, might be criminalised in cyberspace even though they would be allowed in traditional print media. The second topic studies the extent to which governments may restrict liberties, for example, privacy, in order to facilitate punishment of crimes such as child pornography and cyberterrorism. The author explains why the themes and conclusions of the essay written before the 2001 terrorist attacks are still valid today.

Part 5 covers the economics challenges and consists of four chapters. Austan Goolsbee analyses the relationship between electronic commerce and fiscal policy. Based on cases from the United States, the chapter shows that tax policy has a sizeable impact on electronic commerce. In places where sales taxes are higher and the relative price of buying online is lower, people tend to buy online. The author considers that a special tax system for Internet commerce is justified if there is some positive externality. If this condition is not met, the tax system might promote an important amount of online transactions motivated by the desire to avoid taxes.

Bruce Owen and Gregory Rosston describe issues related to spectrum allocation and broadband access. This chapter begins with an explanation of spectrum history – it begins by mentioning Marconi’s achievements – and then proceeds to describe economic issues relevant to spectrum-based communications: interference, path dependency and scarcity. The authors argue that the Federal Communications Commission should adopt a much more flexible approach with regard to spectrum management in order to realise the full potential of spectrum for the Internet.

William Lehr proposes that an unlicensed model for spectrum management should be taken into account for high-value and lower frequency spectrum. The chapter begins by explaining the differences between licensed and unlicensed approaches to the use of spectrum. The chapter then discusses the three key benefits of an unlicensed spectrum model: it is more consistent with the trajectory of technology and market trends, it helps to promote competition and innovation, and it helps to define a future-proof policy.

Alain Bourdeau de Fontenay and Eric Bourdeau de Fontenay describe the implications of the peer-to-peer services strategy of the music industry. Even though the music industry has been successful in court when facing issues raised by the use of peer-to-peer services, the industry’s business performance has not been equally successful. The chapter reviews data to discuss the effect of peer-to-peer traffic on the music industry, and also briefly discusses the economic literature related to the decline in CD sales. The authors study the role of intermediaries between producers and consumers, and argue that the sector should be approached as a two-sided market.

All the chapters are well written and easy to understand. However, one small editorial error of this 228-page volume is that in the introduction of a few chapters the authors mention the different numbers of the sections, but this numbering has been deleted from the text.

If the readers are interested in the latest legislation about a topic, this is not the right book for them. But if the intention is to gain perspective on a number of subjects that public authorities and market players are currently facing, this book is useful as it helps understand the background of a number of relevant topics. Even though the subjects covered in the book are based on themes addressed on both sides of the Atlantic, the information provided and the

analysis carried out are relevant worldwide. To summarise, regulatory strategists, policymakers and researchers will find in this book a good collection that addresses topics that motivate current debates on economic and political aspects of the Internet.

Juan Rendon Schneir  
*Pompeu Fabra University, Barcelona, Spain*  
*E-mail address: jrendons@gmail.com*