

Contents

Preface	V
A. Telecommunications and the Internet Boom: Analysis and Economic Perspectives	1
1. Trends in ICT Markets	1
2. Towards a New Economy	8
2.2 Growth, ICT Dynamics and Innovation	13
2.3 New Economy	17
2.3.1 The Digital Network Economy: Ten Basic Elements of the New Economy	19
2.3.2 Some Reflections on Computers	23
2.4 Information and Communication Technology, Trade and FDI	27
2.5 ICT Dynamics and Entrepreneurship	33
2.6 Internet and Company Dynamics	34
2.7 Competition in and Deregulation of Telecommunications	38
3. Boom in Telecommunications in the OECD.....	52
3.1 General Trends in Leading Industrial Countries.....	52
3.1.1 Privatization	54
3.1.2 Some Regulatory Problems after Privatization and Opening-up.....	56
3.1.3 Mobile Telecommunications: Growth and Auctioning of Licences.....	57
3.2 Financial Markets and the Internet	67
4. Internet Economics and the Digital Divide within the OECD	68
5. Telecoms Modernization, Productivity and Growth	70
6. Computer Lag, Network Fragmentation and Education Deficits: Policy Challenges in a European Perspective.....	74
Appendix I: Accounting for the US Productivity Acceleration in the 1990s	77
Appendix II: Relative Price of ICT Capital to Price of Capital and Growth Rates of ICT Capital Formation and Non-ICT Capital Formation in the US	78
B. The Internet in Macroeconomic Analysis and Growth Analysis	79
1. Short Term and Long Term Aspects	79
2. The Internet in Macroeconomic Analysis	80
3. Internet, Telecommunications and Economic Growth.....	85
4. Internet, Innovativeness and the Real Exchange Rate	88
5. Information & Communication Technology and Growth: Some Neglected Dynamic Aspects in Open Digital Economies	90
5.1 Introduction	90
5.2 The Basic Analytics of ICT	92
5.2.1 Spillover Effects from Computers Used in Households.....	96
5.2.2 Endogenous Growth in an Open Economy	100
5.2.3 Network Effects and the Macroeconomic Production Function ..	102

5.2.4 Impact of the Internet in a Model with Human Capital and Unemployment.....	104
5.3 Conclusions and Policy Implications	107
5.4 High Dynamics of Telecommunications and Productivity Growth.....	108
C. Telecommunications Policy in the European Union.....	113
1. Introduction.....	113
2. Changes in the Telecommunications Sector	117
2.1 Basic Regulatory Problems: Theoretical Aspects.....	118
2.2 The Competition Problem in Telephony and Foreign Investment.....	121
2.3 Market Convergence and Distortions from the Media Sector	124
2.4 Theory of Vertical Integration.....	125
2.5 Special Aspects of Telecoms and Information Markets	130
2.6 Regulations of Telecommunications and Internet Expansion	131
3. Traditional and New View of Telecommunications	134
3.1 Vertical Integration and Political Economy of Liberalization Policy..	135
3.2 Implications for Deregulation.....	136
4. Competition in Network Industries.....	138
4.1 Network Theory, Technological Progress and Competition	140
4.2 Domestic Competition and Foreign Direct Investment in Telecommunications	144
5. Regulatory Issues.....	145
5.1 Regular Framework and Regulatory Policy	145
Appendix I: Monopoly Versus Competition in International Telephony	147
Appendix II: Deregulation Dynamics	150
Appendix III: External Effects of Telecoms Network Expansion.....	151
Appendix IV: Transfer of Market Power in Interdependent Markets	153
Appendix V: Telecommunications and Trade: Theory, Gravity Equation Analysis and Implications for Economic Policy	154
D. Transatlantic Growth Differentials, ICT Dynamics, Fiscal Policy and Innovation Policy	163
1. Euro Weakness and Transatlantic Growth Differentials.....	163
2. Theoretical Analysis	166
2.1 ICT Dynamics and Growth	166
2.2 Perspectives on Inflation and Growth	174
2.3 What is the Impact of US Growth Leadership for the Euro?.....	178
3. Some Long Term Aspects.....	181
4. Internet, Telecommunications and Innovation.....	182
5. ICT Dynamics and Economic Policy.....	185
6. Innovation Policy Challenges	187
Appendix I: Data from IMF Economic Outlook 2001 (or website)	190
Appendix II: A Simple Model of an Economy with Information.....	194
Appendix III: Innovation, Savings and Growth	197
List of Figures.....	201
List of Tables	203
References	205