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THE IMPACT OF TELECOMS REGULATORY REFORM ON NATIONAL ECONOMIC GROWTH

This paper explores the effects of privatization, competition, and independent regulatory structure on telecommunications performance in 237 countries around the world, using comprehensive country-level panel data that covers the period from 1990 to 2004. The paper attempts to estimate a simultaneous model for telecommunication investments and economic growth, controlling for various sector characteristics and macroeconomic indicators. After adjusting the model for endogeneity between telecom sector performance (as evidenced by rapid growth in telecoms investment, teledensity, and decline in the price of a 3-minute local call, etc.) and national economic development, the paper finds evidence of complementarity between privatization and competition with significant positive effect on telecoms investment, teledensities, prices, and productivity. Likewise, privatization combined with regulation by an independent regulator is positively correlated with increased flow of capital investment that impacts the stock of telecommunications development which is shown to have a significant positive effect on aggregate output (national economic growth).