Incumbent operators and their political allies responsible for high mobile bills

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In the United States and in many other countries across the world, consumers are paying too much for their mobile phone bills because of government influencing, research by a Purdue University professor indicates.

"Four percent of high-level employees at mobile phone service companies also have high-level experience in government, according to research by Purdue professor Mara Faccio, who says it begets a quid pro quo environment.

Government employees are able to affect competition through regulation, price controls, restrictions on entry, and more. If they do so in a way that benefits Company A over Company B, they might go on to become Company A's employees with generous salaries. Faccio says her research reveals specific examples of such cross-pollination at AT&T and Sprint in the United States, among other places."

"Competition is more intense in countries where politicians don't work for the mobile operating companies and the regulations in place are more likely to protect the interests of consumers," says Faccio, a professor of finance in the Krannert School of Management.

She'll detail her research, co-authored by University of Chicago professor Luigi Zingales, during her presentation at Dawn or Doom '16, a conference on the risks and rewards of new technology at Purdue University. Dawn or Doom will be held Monday and Tuesday, Oct. 3 and

4, on the Purdue West Lafayette campus and is free and open to the public.

Finding out what price differences were considered reasonable or not centered around the economic theory called the Law of One Price. It states that a good's price is the same across markets, not considering tariffs or taxes.

In the United States, consumers pay 50 to 100 percent more than in countries with similar costs of living such as Germany or Sweden. Faccio says she sees it firsthand when she visits her native country, Italy.

"I was in Italy for Christmas, and they had a lot of ads for phone contracts," she says. "Twelve U.S. dollars per month including taxes!"

Previously, the United States did have more competition with approximately 20 different carriers, but it slowed in the early 2000s after many companies merged with little opposition from antitrust regulators. So, the two largest operators' market share has increased from 35 to 65 percent since 2000. As a result of this increasing lack of competition, it shouldn't be surprising that prices remain much higher in the United States than in other developed countries, Faccio says.

She says her research is inspired by her native country and its sometimes questionable politics.

"The wealthiest man in Italy was the prime minister for the longest time, so I was always disturbed by the overlap of political and economic power," she says.

She hopes that her research will inspire the media to pick up the issue and go on what she calls a "shaming campaign," where consumers will hear the news of price disparity and start complaining directly to the operators and politicians.

However, she says, it's doubtful that one of the countries in which the only mobile operator present is extremely profitable, North Korea, will hear any complaints at all.

Provided by Purdue University