

## **Abstract**

Regulatory independence has been proposed as a mechanism to alleviate the commitment problem associated with the sunk nature of investments in network industries. This paper summarizes the author's and others work in this field (in a pause to take stock of several years of research) and, in addition, includes a new exercise that uses instrumental variables to endogenize both de jure and de facto regulatory independence. The institution of regulatory independence has costs as well as benefits; the positive, significant impact on industry performance is, however, most likely to be quantitatively modest. As a result of the empirical evidence and the assessment of the literature, a number of reform proposals are made to improve the institution's effectiveness.