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<http://www.dslprime.com>

Dave Burstein

Crucial data for judging UNE-P Real world data is more persuasive than ideological arguments, so I was impressed by Larry Spiwak's new paper that the Bells have invested more in states with more UNE-P lines. <http://www.phoenix-center.org/PolicyBulletin/PolicyBulletin5.pdf>. Eric Rabe of Verizon replies:

I'm sure you are aware of the fallacy in classical logic theory, '*post hoc, ergo propter hoc.*' The fallacy occurs when a second event or thought is said to result from a former one but the only relationship is that one follows the other. The second thought is not the logical consequence of the other. That is what we are dealing with here. You see strong UNE-P taking by our competitors and also investment by us and make the "Post hoc" assumption that they are related. In fact, our investment is coming in large states, with major customer bases which have a variety of competitors, including cable TV and wireless providers (who do not rely on UNE-P). The size of the states themselves may be a contributor to our decision to invest at a certain level. Certainly the need to continuously modernize our network is a major factor causing us to invest. There may be a variety of other factors such as the needs of a particular customer or group of customers, or even growth in places such as Texas or California. Dressing up a logical fallacy in fancy economic report format with lots of footnotes does not change the fact that a fallacy – in this case a fatal fallacy – has occurred.

Rabe's correct that most empirical studies are vulnerable to *post hoc*, but I prefer the data to the typical D.C. debates over obscure ideology. Spiwak's data are the best I've seen; they should be respected or rebutted. Any D.C. politician who says UNE-P cuts investment will look foolish unless they directly refute the facts Spiwak provides.

I also sincerely hope no reporter picks up the predictable bell comment that UNE's are "below cost." That's simply untrue, no matter how many times folks like Ed Whitacre repeat it. They look very stupid when I ask their company to back up the claim with facts.

In response to Eric Rabe's comment that POLICY BULLETIN No. 5 is based on a *post hoc* fallacy and his claim that market size explains the results, the Phoenix Center would like to point out that the regression analysis dealt with the issue of market size in two ways. First, market revenues were included, which should reflect market size (they are measured in changes, so the correlation may not be perfect). Second, in ft. 28, the paper states that size was included as an additional variable in the regression, but added nothing interesting to the results. Thus, Mr. Rabe's response is meaningless ("size of the states themselves may be a contributor to our decision to invest at a certain level."). While one can't test causality with the limited data available, it doesn't make any sense that investment would bring more UNE-P. Indeed, since the BOCs won't mix their DSL with UNE-P lines, all that investment is irrelevant to UNE-P providers.