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Press Release

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NEW PHOENIX CENTER ANALYSIS FINDS NO BROAD ECONOMIC BENEFIT FROM AN INCREASE IN BROADBAND SPEED FROM 10 TO 25 MBPS

10/1 Mbps Broadband Did Not Leave Parts of America Economically Behind

WASHINGTON, D.C. – In its implementation of the Telecommunications Act of 1996, the Federal Communications Commission must sometimes define exactly what qualifies as “broadband.” In its Section 706 analysis, the Commission adopted an upstream/downstream standard of 25/3 Mbps. Alternately, for its Connect America Fund, the agency set a benchmark of 10/1 Mbps. These definitions have proven controversial and politically motivated. Recently, the Commission floated the idea of 10/1 Mbps threshold for mobile broadband in its Section 706 analysis, but the agency appears to have abandoned doing so under intense criticism. While the FCC’s definition of broadband for Section 706 purposes has little to no effect on the deployment decisions of private firms, some broadband advocates feared that a 10/1 Mbps standard might leave rural Americans behind economically. On the other hand, many industry commentators discount the practical differences between the two speed levels.

In a new statistical analysis released today entitled *Is Faster Better? Quantifying the Relationship between Broadband Speed and Economic Growth*, Phoenix Center Chief Economist Dr. George S. Ford searches for evidence of an economic payoff from a 10-to-25 Mbps spread. Using county-level data from the National Broadband Map and the Bureau of Economic Analysis, he compares growth rates in employment, total personal income, and total labor earnings different between counties with predominately 10 Mbps and those with mostly 25 Mbps broadband deployment.

The Phoenix Center’s analysis offers two important, policy-relevant findings.

First, under current conditions, while higher speeds may be of private value to users, there appears to be no broader economic payoff from higher-speed connections, at least when that difference is between download speeds of 10 Mbps and 25 Mbps.

Second, counties with higher-speed broadband are found to be wholly unlike those with lower-speed broadband with respect to population, population density, education levels, and other relevant factors. A failure to adjust for these differences results in misleading statistical inferences about broadband’s economic impact. Dr. Ford corrects for such differences using modern empirical methods. As a case study, Dr. Ford also revisits an early and frequently cited study about broadband’s benefits and demonstrates that the reported impacts are likely spurious. He believes many other earlier studies of broadband’s benefits may be similarly defective.

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“While consumers prefer faster broadband, at least up to a point, this research suggests that there is little practical difference between a 10 Mbps and 25 Mbps connection for the broader economy for the past few years,” observed study author and Phoenix Center Chief Economist Dr. George Ford. “This research does provide a clear demonstration of significant selection bias in the data, suggesting that many of the statistics-based claims regarding broadband’s broad economic impacts might be inaccurate.”

A full copy of PHOENIX CENTER POLICY BULLETIN NO. 44, *Is Faster Better? Quantifying the Relationship between Broadband Speed and Economic Growth*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/PolicyBulletin/PCPB44Final.pdf>.

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