



PHOENIX FOR ADVANCED
LEGAL & ECONOMIC
C E N T E R PUBLIC POLICY STUDIES
www.phoenix-center.org

5335 Wisconsin Avenue, NW
Suite 440
Washington, D.C. 20015-0234
Tel: +1 (202) 274-0235
Fax: +1 (202) 318-4909
www.phoenix-center.org

Press Release

Contact: Lawrence J. Spiwak
Phone: +1 (202) 274-0235

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PHOENIX CENTER PROVIDES ECONOMIC FRAMEWORK FOR BROADBAND ADOPTION SUBSIDIES

*Federal Money Should be Spent Where it is Most Effective (Per Dollar) at Increasing Adoption;
Analysis Shows that Past Efforts Were Unsuccessful at Increasing Home Adoption*

WASHINGTON, D.C. – America has spent billions trying to close the Digital Divide, but adoption disparities along many dimensions persist. The COVID pandemic has rekindled the strong interest in broadband adoption, with many in Congress now proposing to spend billions more to shrink the adoption gap. In a new PHOENIX CENTER POLICY PAPER released today entitled *Bridging the Digital Divide: What Has Not Worked But What Just Might*, the Phoenix Center’s team of economists offers an analysis of how best to spend broadband subsidies.

As might be expected, the Phoenix Center’s economic analysis prescribes that money should be spent where it is most effective (per dollar) at increasing adoption. To illustrate how not following this policy prescription could result in a waste of taxpayer money, the Phoenix Center’s economists offer an empirical analysis of past broadband adoption programs by quantifying the effect of several programs established by the *American Reinvestment and Recovery Act of 2009*. Applying a Difference-in-Differences model to Census data on adoption, they find no positive effect on home broadband adoption from programs funded by the Broadband Technology Opportunity Program (“BTOP”).

Finally, the Phoenix Center’s team of economists discuss the potential benefits of direct subscriber subsidies considering the successful private sector programs offering low-cost broadband plans to low-income and other qualifying households. As they explain, direct subsidies to end-users will increase adoption, but surveys and empirical evidence prescribe sober expectations on their effectiveness at achieving universal adoption. Subsidizing broadband infrastructure deployment in unserved areas is a direct approach to increase broadband adoption, but even so the costs in some regions may outweigh the benefits.

“Billions have been spent to bridge the Digital Divide, but it persists,” says study co-author and Phoenix Center Chief Economist Dr. George S. Ford. “Going forward, the government needs to select effective programs and wisely allocate the available funds to maximize home broadband adoption.”

“While universal availability and adoption are unrealistic, there are opportunities to increase adoption, perhaps materially, by funding effective programs” added study co-author and Phoenix Center Senior Fellow Professor Michael Stern of Auburn University.

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A full copy of PHOENIX CENTER POLICY PAPER NO. 56, *Bridging the Digital Divide: What Has Not Worked But What Just Might*, may be downloaded free from the Phoenix Center's web page at: <https://www.phoenix-center.org/pcpp/PCPP56Final.pdf>.

The Phoenix Center is a non-profit 501(c)(3) organization that studies broad public-policy issues related to governance, social and economic conditions, with a particular emphasis on the law and economics of the digital age.