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[www.phoenix-center.org](http://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](http://www.phoenix-center.org)

## Press Release

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

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### NEW PHOENIX CENTER STUDY AGAIN CONFIRMS THAT IMPOSING TITLE II COMMON CARRIER REGULATION ON BROADBAND DETERRED INVESTMENT

*Analysis also demonstrates that under the FCC's own "virtuous circle" hypothesis, broadband providers have no incentive to depart from the neutral treatment of traffic*

WASHINGTON, D.C. – In the Telecommunications Act of 1996, Congress directed the Federal Communications Commission to reduce regulation. While the FCC initially made several bipartisan steps in that direction, over the last three presidential administrations the Agency has switched between aggressive and relaxed regulation of broadband services on an explicitly partisan basis, including the imposition of legacy common carrier regulation on broadband services in the name of Net Neutrality.

In a new analysis released today entitled *Investment in the Virtuous Circle: Theory and Empirics*, Phoenix Center Chief Economist Dr. George S. Ford provides a theoretical analysis of the Commission's virtuous circle hypothesis—the hypothesis which drives the Commission's Net Neutrality policies. Dr. Ford demonstrates that under the Commission's own hypothesis, broadband providers have no apparent incentive to depart from the neutral treatment of traffic.

Dr. Ford also conducts an empirical analysis of the economic effects of the FCC's nearly fifteen-year efforts to impose some sort of Title II regulation on Broadband Internet Access Services. Dr. Ford finds that the FCC's Title II regulatory approach reduced investment by \$8.1 billion annually (10%), on average, between 2011 and 2020, or \$81.5 billion over ten years, reducing employment in the information sector by about 81,500 jobs and total employment by about 195,600 jobs (many of them union jobs), reducing labor compensation by \$18.5 billion annually. Gross Domestic Product ("GDP") has been reduced by \$145 billion annually, or \$1.45 trillion over ten years. This evidence suggests that the looming threat of Title II regulation that hangs over the industry, during both the regulatory and deregulatory episodes, is a chronic obstacle to infrastructure investment as periods of lighter regulation are perceived as temporary. And this will likely be even worse under the FCC's new *Notice of Proposed Rulemaking*, which is even more far-reaching than its prior Title II proposals.

"My empirical findings—coupled with Congress's clearly stated preference for deregulation in the Telecommunications Act of 1996—make it clear that the question of whether the FCC should subject broadband Internet access service to Title II regulation is a question of significant economic importance," said study author Phoenix Center Chief Economist Dr. George S. Ford. "While current FCC leadership claims the investment effects of its approach to broadband regulation are

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‘unsubstantiated,’ this assertion has no empirical support and is contradicted by the available evidence.”

A full copy of PHOENIX CENTER POLICY PAPER NO. 62, *Investment in the Virtuous Circle: Theory and Empirics*, may be downloaded free from the Phoenix Center’s web page at: <https://phoenix-center.org/pcpp/PCPP62Final.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.*