



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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OECD DATA CONTINUES TO MISLEAD ABOUT U.S. BROADBAND STANDING

Phoenix Center Says Policymakers Persist on Using OECD Ranks to Fabricate a "Broadband Crisis"

WASHINGTON, D.C. – The Phoenix Center released study today that again demonstrates the fallacy of relying on the Organisation of Economic Cooperation and Development (OECD) broadband ranks as a meaningful indicator of U.S. broadband performance. As such, any argument by policymakers that aggressive government intervention into the market is justified because the U.S. is somehow “falling behind” must be met with great skepticism.

Using standard tools of statistical analysis, Phoenix Center Chief Economist Dr. George Ford dismantles the OECD data in a wide variety of ways.

For example, Dr. Ford explains that one reason per-capita connections are an invalid measure of broadband penetration is that each country has its own unique maximum value for the measure (all share zero as the minimum). In other words, if in every OECD country every household and business had broadband (the “Broadband Nirvana”), you would still observe large differences in their per-capita subscription rates. As such, each country’s per-capita subscription rate has its own scale, and consequently, comparing per-capita connections presents the quintessential apples-to-oranges problem. Moreover, in this Nirvana, the U.S. ranks 20th, five spots below its present position. Consequently, if near ubiquitous adoption across the OECD is the expected outcome (even for just the more developed economies), then the U.S. will always have a middling rank.

Dr. Ford also explains that when interpreting rank, it is essential to first establish an *expectation of rank*. Without a meaningful expectation, it is impossible to say whether our observed rank is too high, too low, or just right. According to Dr. Ford, there is “compelling evidence that the U.S. is meeting expectations on broadband connections per capita.”

Finally, Dr. Ford demonstrates that comparing adoption rates is not the ideal measure of relative performance because broadband is an input to the production of economic benefits. Dr. Ford colloquially refers to this defect as the “*George and Bobby Got-A-Chicken Theory*.” That is, according to Dr. Ford, “just because celebrity (and Iron Chef) Bobby Flay and myself both have a chicken does not imply that the two resulting dinners will be equally tasty. In the same way, a broadband circuit may have very different payoffs in different countries.”

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PHOENIX CENTER PERSPECTIVE NO. 10-05: *Fabricating a Broadband Crisis? More Evidence on the Misleading Inferences from OECD Rankings*, may be downloaded free from the Phoenix Center's web page at: <http://www.phoenix-center.org/perspectives/Perspective10-05Final.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 telecommunications and high-tech industries.

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