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Press Release

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PHOENIX CENTER LABELS NEW STUDY SHOWING NO INVESTMENT EFFECT OF TITLE II REGULATION AN "EXHIBITION OF STATISTICAL NEGLIGENCE"

Investment Measure in New Study by Internet Association Chief Economist Christopher Hooton is Accounts Payable, Not Investment

WASHINGTON, D.C. — In December 2017, the Federal Communications Commission ("FCC") in its *Restoring Internet Freedom Order* (*"RIFO"*) reversed the Obama Administration's 2015 decision to apply Title II regulation to broadband services. This decision relied heavily on the argument that the heavy-handed regulatory approach embodied in the 2015 "*Open Internet Order*" significantly reduced investment in the telecommunications sector; a conclusion based largely on Phoenix Center research. Naturally, proponents of Title II regulation aim to prove the Commission wrong by offering evidence of "no investment effect."

Last week, a new study seeking to rebut the Commission's conclusion on investment was made public. The author of the study is Christopher Hooton, Chief Economist of the Internet Association (a proponent of Title II regulation) and a scholar at George Washington University's Institute of Public Policy. The article—*Testing the Economics of the Net Neutrality Debate*—appears to be forthcoming in the journal TELECOMMUNICATIONS POLICY.

In a new analysis released today entitled *Statistical Negligence in Title II Impact Analysis*, Phoenix Center Chief Economist Dr. George S. Ford reviews Hooton's analysis and demonstrates that Hooton's paper is "an exhibition in statistical negligence."

Most importantly, while Hooton claims he has found the Holy Grail of investment data, Hooton's chosen measure of capital spending is not capital spending at all. *Capital Expenditures Incurred But Not Yet Paid*—Hooton's measure of investment—is a credit entry for accrued expenses. It does not equal capital spending; it equals, as the name implies, the portion of capital spending incurred in the past to be paid in the future. Not all firms use this supplemental account. In fact, AT&T and Verizon do not appear in Hooton's sample at all. That is, Hooton's analysis excludes the two largest capital spenders in the nation, if not the world.

"Dr. Hooton bungles, once more, the analysis of investment and Net Neutrality," said Phoenix Center Chief Economist Dr. George S. Ford, who has written extensively on this topic and studied earlier works by Dr. Hooton. "As Net Neutrality is a multi-billion-dollar regulatory program, it follows that Dr. Hooton might take a few minutes to look up the definition of the data he uses rather than simply making one up."

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A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 19-05, *Statistical Negligence in Title II Impact Analysis,* may be downloaded free from the Phoenix Center's web page at: http://www.phoenix-center.org/perspectives/Perspective19-05Final.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 the digital age.