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## Press Release

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### NEW PHOENIX CENTER STUDY FINDS THAT SUBSIDIZING DEPLOYMENT TO UNSERVED AREAS IS THE MOST EFFECTIVE WAY TO SPUR BROADBAND ADOPTION

*Study also finds that price-based policies will do little to expand adoption*

WASHINGTON, D.C. — The Biden Administration and the U.S. Congress are contemplating spending tens of billions of dollars on policy interventions to increase the deployment of broadband networks with the objective of increasing broadband adoption. Economics has much to say about allocating resources among varied policy options, with the over-riding prescription that subsidy dollars should be spent where the payoff is highest. Though the determination of the “best” mixture of funding across policy options is a complex issue, much headway may be made by quantifying two empirical relationships: (1) the relationship between adoption and network *availability*; and (2) the relationship between adoption and broadband service *price*.

In a new analysis released today entitled *Assessing Broadband Policy Options: Empirical Evidence on Two Relationships of Primary Interest*, Phoenix Center Chief Economist Dr. George S. Ford uses data on broadband availability, adoption and price to estimate both relationships. Other things equal, the data suggest that a home newly-passed by a broadband network has a very high probability of adopting broadband, not unlike the average adoption rate (about 85%). As such, using federal funds to expand broadband availability to unserved areas will have a potent effect on adoption.

But Dr. Ford also finds that the data are much less encouraging about expanding adoption through pricing policies. According to the data, consumers generally have a rather weak response of adoption to price reductions (a 10% price drop increases adoption by only 5%). As such, the data suggest that price-based policies — whether directly-regulated price reductions or price reductions putatively induced from the insertion of a subsidized competitor — will do little to expand adoption.

“While households are highly likely to adopt broadband service when it becomes available, the adoption decisions of consumers are not much influenced by lower prices,” says study author and Phoenix Center Chief Economist Dr. George S. Ford. “Increasing availability adds billions in annual consumer benefits and likely passes a cost-benefit test, while price-based policies have small consumer impacts below the costs of implementing them.”

A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 21-04, *Assessing Broadband Policy Options: Empirical Evidence on Two Relationships of Primary Interest*, may be downloaded free from the

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Phoenix Center's web page at: <http://www.phoenix-center.org/perspectives/Perspective21-04Final.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.*