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Press Release

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PHOENIX CENTER EXPOSES MULTIPLE FLAWS IN HARVARD REPORT ON MUNICIPAL BROADBAND PRICES

Corrections to Berkman Report of Current Prices for Similar Services Shows that Private Providers Offer Lower Prices than Municipal Systems

WASHINGTON, D.C. – Recently, the Berkman Klein Center at Harvard University released a report using two-year old data which purports to show that municipal systems typically charge lower prices for broadband services. In a new POLICY PERSPECTIVE released today entitled *A Review of the Berkman Center's Price Survey of Municipal Broadband Markets*, Phoenix Center Chief Economist Dr. George S. Ford shows that the *Berkman Report* is defective and incomplete.

Among other problems, Dr. Ford points to the improper design of the survey methodology in the *Berkman Report*, which uses price as a determinant for sample selection and fails to collect prices on identical services. As Dr. Ford explains, the prices for unlike services are often unlike. If price comparisons are made for like services within a market, rather than across markets, then competition ensures that, over time, prices will be nearly equal by the law of one price. Given that the *Berkman Report* provides no conceptual framework for understanding and comparing prices, not much can be said about the comparison of prices across unlike services, or like services for that matter. Rather than look at two-year old data, Dr. Ford gathers a sample of current prices for similar service and finds that, if anything, private providers offer lower prices than do municipal systems. In fact, adjusting for the sizable differences in service levels reported in the *Berkman Report*, statistical tests indicate that the prices between municipal and private providers are equal.

“The authors of the *Berkman Report* appear aware of many, but not nearly all, of the shortcomings of their work,” says Dr. George S. Ford. “The most serious flaw, as I see it, is the total failure to set forth a hypothesis about what relationship is expected between the prices they compare, and what a similarity or difference in those prices say about competition or public policy. A Five Guys burger is more expensive than a McDonald’s burger – so what?”

A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 18-01, *A Review of the Berkman Center's Price Survey of Municipal Broadband Markets*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/perspectives/Perspective18-01Final.pdf>.

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