

S O N E C O N

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Study by Former Clinton Official Shows Technology Spreads Through Competition and Technological Advances Shapiro Says Build-Out Rules for Video Would be Counterproductive

WASHINGTON, D.C. - The power of competition and technological progress, not build-out requirements or other government mandates, is the best way to accelerate the spread of new technology across all parts of the economic spectrum, former Under Secretary of Commerce Robert J. Shapiro says in a new study released today.

The study concludes that just as computer ownership and Internet usage have become commonplace for every demographic group in recent years, newer technologies and services such as advanced video will also spread widely unless costly regulation gets in the way.

Dr. Shapiro, who served as Under Secretary of Commerce for Economic Affairs for President Bill Clinton from 1997-2001, joins a growing list of economists who warn that build-out requirements are the wrong way to ensure that new technologies are widely available.

New Technologies Are Spreading Widely Across the Economy

In the study, "Creating Broad Access to New Communications Technologies," Dr. Shapiro observes:

"For at least a decade now, computer ownership and Internet access have consistently increased at higher rates among low-income households and those living in rural and central city areas, than among higher-income households and those living in metropolitan areas."

For example, the study's examination of public data from the Department of Commerce, the Census Bureau and the Federal Communications Commission found:

- From 1994 to 2003, Americans with incomes of less than \$20,000 increased their computer ownership at an average annual rate of 18.1 percent, more than twice the 8.3 percent average annual rate of those earning more than \$50,000. They increased their rates of Internet access by an average of 27.6 percent, compared to a 16.5 percent annual rate for those earning more than \$50,000
- In the most recent period for which data are available, 2001 to 2003, those with incomes under \$20,000 increased their computer ownership rates by 21.9 percent, compared to 6.2 percent for earning more than \$50,000. Those with incomes of less than \$20,000 increased their rates of Internet access by 14.6 percent, compared to 6.3 percent of those with incomes of more than \$50,000.

Build-Out Rules and Other Costly Government Mandates Limit Access to Technology

“The likely consequence of imposing build-out regulation on new telecommunications services would be higher prices and relatively lower quality and capabilities, which in turn would retard its spread to lower-income Americans and those in central city or rural areas.”

Dr. Shapiro also notes that minorities and lower-income households tend to spend significant sums on video services, making them potentially attractive customers.

“Businesses go where their customers are, and there is substantial evidence that lower-income households provide a highly attractive market for advanced video services,” the study says.

For example, a recent survey by Forester Research, a Cambridge, MA. technology and market research company, which found that African-Americans spend more than \$60 a month on average for video services compared to \$52 a month for all Americans. Hispanic households spend slightly more than the national average, according to the survey. Forester also reports that minorities are more likely than white Americans to abandon their landline phone for a cell phone and are adopting broadband technology at an accelerating pace.

“The data shows that technology and telecom services are spreading rapidly in the absence of burdensome government regulation,” Shapiro says.

The study was released by Dr. Shapiro’s consulting firm Sonecon, a private company that advises U.S. and foreign businesses, governments and non-profit organizations on market conditions and economic policy. It is available at www.sonecon.com.

In addition to acting as Chairman of Sonecon, Dr. Shapiro is a Senior Fellow of the Progressive Policy Institute and a director of the Ax:son-Johnson Foundation in Sweden, the Center for International Political Economy in New York, and USA for Innovation in Washington, D.C.

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