

The Free State Foundation

FOR RELEASE:

December 7, 2009 10:00 AM

News Release

CONTACT: Randolph J. May

301-984-8253

FSF Fellow Urges No ETF Price Controls

Seth Cooper Says Market Competition Will Protect Consumers

ROCKVILLE, MD – Early Termination Fees ("ETFs") are in the regulatory gun sights, with the FCC last week asking Verizon Wireless for information concerning its ETF practices and some members of Congress taking an interest as well in ETF terms and conditions. In a new paper, [*"Let Competition and Choice Check Wireless ETFs"*](#), Free State Foundation Adjunct Fellow Seth L. Cooper concludes that "[l]egislative or regulatory actions that, in effect, amount to price regulation in a market that earlier this year the FCC declared effectively competitive would not only be paternalistic, but counterproductive and innovation-stifling overkill as well."

While acknowledging that nobody likes to pay higher rather than lower fees, Mr. Cooper points out that "the apparent good intentions animating ETF-critics' call for regulation ignores the other side of the equation – the pro-consumer benefits of ETFs that reduce or eliminate the up-front cost of wireless devices and make the devices more economically feasible for consumers." He explains that ETFs give providers the certainty that they will capture their subsidy of wireless devices from consumers who enjoy the lower up-front cost.

Below are other key quotes from Mr. Cooper's analysis:

"But whether the argument is that ETFs should be lower or that they should prorate more quickly during the life of the contract, one must ask who, rightfully, should be deciding what the value of wireless devices or services is or what price should be charged to consumers.... When there is a disagreement over the value and price of products and services in a competitive marketplace, the market itself is the proper mechanism for ascertaining value and price."

"In a dynamic marketplace such as wireless, market mechanisms and not political mechanisms best allow prices to reflect changing supply and demand."

"As with any other consumer product or service, wireless devices and service should be marketed and delivered in a way that provides consumers with adequate information to make an informed choice."

A PDF version of the comments is [here](#).

The Free State Foundation is an independent nonprofit, Section 501(c)(3), free market-oriented think tank.

The Free State Foundation

*P. O. Box 60680, Potomac, MD 20859
Tel. 301-984-8253 Fax: 301-299-5007
E-Mail: info@freestatefoundation.org
www.freestatefoundation.org*