

Chapter 20

Broadband in America: A Policy of Neglect is Not Benign

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ABSTRACT

Under the Bush Administration, the U.S. failed to close the digital divide and fell behind on broadband. In 2001, 54 percent of households did not have the Internet. In late 2007, 49 percent of households did not have broadband. About 25 percent of households with incomes below \$25,000 per year had broadband in 2007; whereas over 80 percent of households with incomes above \$75,000 did. In 2001, the U.S. ranked third in the world in the penetration of broadband, but had fallen to 15th by 2007. A variety of measures of performance and econometric models that control for economic and social factors show a dozen nations are ahead of the U.S. The laissez faire policy pursued by the Bush administration let a duopoly of cable and telephone companies dribble out broadband at slow speed and high prices. In contrast, the nations that passed the U.S. implemented much more aggressive policies to promote broadband and instead of relying on weak intermodal competition, they required the dominant networks to be open to competition in Internet services. This kept the price down and stimulated adoption and innovation.

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A PERMANENT DIGITAL DIVIDE OR ANOTHER “MISSION ACCOMPLISHED?”

From Digital Divide to Falling Behind on Broadband

Barely a decade after the Internet became widely, commercially available and at a moment when high-speed Internet access was just becoming widely available in the mass market, the digital Divide had already become a topic of vigorous debate in Washington policy circles. The debate over the speed of the penetration of the new communications technology became a permanent fixture of technology policy discussions.

This paper addresses three empirical questions that have been at the center of the now decade long debate over the digital divide.

- Does the digital divide still exist; is there a significant difference in penetration among specific groups in the population?
- Does it matter that households are not connected; does being disconnected cause households to be disadvantaged or disenfranchised?
- Is the U.S. ahead of other nations or behind in the penetration of this technology and what does that mean for the policies chosen to promote the deployment of the technology?

The issue was originally framed by the Clinton administration in the late 1990s as a concern that instead of being a great leveler of opportunity, the uneven penetration of Internet service was replicating and reinforcing existing social divisions (e.g. Wilhelm, 2000; Cooper 2001). However, others argued that the normal pattern of adoption of mass market goods was for upper income households to be early adopters but, ultimately, the good would spread throughout society (Thierer, 2000; Compaine, 2001). With the rapid uptake of the

Internet and broadband being faster than other consumer goods and services like telephones, televisions, and VCRs, they argued there was little cause for concern.

Reactions to a *Washington Post* (Schwartz, 1999) article summarizing the findings of a mid-1999 report on the digital divide suggest how prominent the debate had become. In a front-page story the newspaper summarized the report from the National Telecommunications Information Administration (1999), entitled *Falling through the Net*, as follows, “Despite plummeting computer prices and billions of dollars spent wiring public schools and libraries, high-income Americans continue to predominate in the online world” (Schwartz, 1999, p. A-1).

This conclusion was immediately cast in highly charged public policy terms by President Clinton.

There is a growing digital divide between those who have access to the digital economy and the Internet and those who don't, and that divide exists along the lines of education, income, region, and race... If we want to unlock the potential of our workers, we have to close that gap (Schwartz, 1999, p. A-1).

By contrast, a spokesman for the ultraconservative Cato institute – Executive Vice President David Boaz – dismissed the notion of the digital divide:

We've got a new technology spreading more rapidly than any new technology has spread in history. And of course, it doesn't spread absolutely evenly. Richer people have always adopted new technology first – and that's not news. There's no such thing as information haves and have-nots, there are have-nows and have-laters. The families that don't have computers now are going to have them in a few years (Schwartz, 1999, p. A-1).

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