POLICY SPOTLIGHT

Broadband Deployment Recommendations for the United States

BRENT SKORUP | SEPTEMBER 2017

Twenty years of light-touch internet regulation made the United States a global leader in technology, innovation, and broadband use. However, as the saying goes, "the future is here—it's just not evenly distributed yet." According to the FCC's latest report, about 33 percent of Census blocks—the smallest geographic area of measurement used by the Census—have only one or two fixed broadband providers offering 10 Mbps speeds.[1] To close the "digital divide" in a financially prudent manner, I recommend the following.

RELY ON PRIVATE BROADBAND INVESTMENT

As Larry Summers, former secretary of the treasury and economic adviser to President Obama, said, broadband investment is "clearly the responsibility of the private sector."[2] Public networks are financially risky and often only benefit a small number of residents. Rigorous research in this area is scarce, but a Mercatus researcher analyzed 80 "muni broadband" projects and found that the largest economic effect of these publicly funded networks is to increase local government employment.[3] Private-sector employment effects are modest or negative. Further, public networks siphon users from private providers and depress private investment.

MAKE BROADBAND DEPLOYMENT CHEAPER AND FASTER

To incentivize more broadband providers to enter the market and invest, state and local governments should streamline and expedite permitting of broadband infrastructure on public property and public rights-of-way. Wireless towers, in particular, are needed in rural areas to provide internet access to hard-to-reach subscribers.

CREATE "TECH VOUCHERS" FOR RURAL AND OLDER RESIDENTS

Rather than building public networks, state legislatures should consider offering a direct consumer subsidy—a voucher that rural residents and older Americans can use to purchase discounted broadband or devices—to increase broadband adoption transparently and efficiently.[4] This avoids building duplicative networks that the vast majority of nonadopters are uninterested in using.[5]

NOTES

1. FCC, *Internet Access Services: Status as of December 31, 2015*, figure 4, November 2016.
2. Lawrence Summers, "The Next President Should Make Infrastructure Spending a Priority," *Washington Post*, September 11, 2016.

3. Brian Deignan, "Community Broadband, Community Benefits? An Economic Analysis of Local Government Broadband Initiatives" (Mercatus Graduate Policy Essay, Mercatus Center at George Mason University, Arlington, VA, 2014).

4. As economists Jerry Hausman and Howard Shelanski have said, "It is well established that targeted subsidies paid from general income tax revenues are often the most efficient way to fund specific activities." Jerry Hausman and Howard Shelanski, "Economic Welfare and Telecommunications Regulation: The E-Rate Policy for Universal-Service Subsidies," *Yale Journal on Regulation* 16, no. 1 (1999): 19, 33.

5. Pew Research found that about 70 percent of nonsubscribers have no interest in subscribing. John B. Horrigan and Maeve Duggan, *Home Broadband 2015* (Washington, DC: Pew Research Center, 2015), 7.

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