



Executive Memorandum

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A “DIGITAL DIVIDE” OR A DIGITAL DELUGE OF OPPORTUNITY?

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During his State of the Union address on January 27, 1999, President Bill Clinton argued that “a national crusade” was necessary to connect all Americans to the Internet. The Administration sees a “digital divide” between those in America who have access to the Internet and those who do not. The President and supporters of his plan in the Administration and Congress maintain that as-yet undefined government spending programs or regulatory initiatives will be required to rectify the apparent income-based or race-related technological disparities in America. Indeed, a July 1999 U.S. Department of Commerce National Telecommunications and Information Administration (NTIA) report entitled *Falling Through the Net: A Report on the Telecommunications and Information Gap in America* laid the foundation for federal action to solve this ostensible “digital divide.”

The problem of access to the Internet, however, has been greatly overstated; regrettably, it is being used by some in Washington to support Big Government solutions to “problems” already being solved at a rapid pace by competition and choice in the free market. Just six years ago, only 6 percent of American households had access to the Internet; today, Forrester Research, Inc., estimates that number to be over 43 percent, and growing quickly. Policymakers should exercise patience and restraint when considering the President’s proposals so as not to give their support to burdensome and counterproductive new communications industry regulatory schemes or expensive spending

programs based on misguided and apocalyptic rhetoric.

Making a Mountain Out of the Molehill of

Access. The NTIA study, and supporters of new government programs and solutions to address a nebulous “digital divide,” generally paint a very static picture of the dynamic Internet marketplace. America’s Internet or “broadband” marketplace is evolving more rapidly than anyone predicted. “The Internet” has become a common household word, and Internet-based services and applications are spreading quickly throughout the country.

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While it is true that the spread of the Internet has not been perfectly uniform, there is nothing unusual or inherently unfair about the way services are being delivered. As was the case with almost all previous technological innovations, the pace and pattern of the dispersion of technological advances to Main Street and Home Town America has never been perfectly uniform. New products and services have always been sensitive to income levels,

demographics, and geography. Televisions, radios, and videocassette recorders started as luxury items within the reach of only a handful of Americans. Today, almost everyone has these products in their homes. Some communities have gained access to new technologies before others based on the cost of service and factors related to their geographic location. For example, the availability of flush toilets and cellular telephone services first was concentrated in urban areas; eventually, almost every American community came to possess them.

In other words, merely because disparities between various groups of people exist as the new goods and services are being offered does not mean there is a national crisis that requires federal intervention. Just as the market made other technologies more affordable and within the reach of almost every American home and business, so too will it spread access to the Internet—and sooner rather than later.

Allowing the Market to Grow. Personal computers (PCs) are now available for under \$500 and many analysts predict the era of free computing is near. Some Internet Service Providers (ISPs) already offer free PCs to consumers who sign up for long-term contracts. Internet access remains quite inexpensive and flat-rate plans for unlimited access are common. Finally, numerous communications network providers (such as cable, telephone, fiber optics, and wireless-based) are racing to offer high-speed Internet connections to the home.

Although the Clinton Administration paints a dismal picture of an unwired and technologically backward country that needs federal assistance and guidance to develop, private-sector forces and businesses are working diligently to provide Americans with a virtual “digital deluge” of new technological goods and services. The problem of access is solving itself.

Of course, more can and will be done by the private sector to ensure that Americans gain access to the Internet and interactive technologies. But Congress can take steps that will facilitate these beneficial developments. For example, it should:

- **Deregulate the Internet market completely**, allowing any network provider to offer services to consumers free of all archaic regulations or newly proposed service mandates under the guise of “open access.”
- **Provide tax relief for the communications industry**, which currently faces a dizzying array of burdensome industry-specific taxes at the federal, state, and local levels.
- **Encourage wireless and satellite solutions** by freeing up and auctioning off more publicly held spectrum and deregulating existing wireless providers so they can offer more broadband services.
- **Devolve responsibility for the issue to state and local officials**, who are in a better position to craft targeted solutions to the parochial problems that could arise in some communities.

Conclusion. The Clinton Administration has adopted the New Deal’s “chicken in every pot” entitlement mentality and given it a decidedly modern spin; now, it is “a computer in every house” that is promised to Americans. There is clearly no constitutional basis for federal action of this sort. Fortunately, new national spending or regulatory programs also are not needed. America will be “wired” and Internet-ready in a few short years. Instead of rushing to create expensive or unconstitutional new federal programs, policymakers should be patient and allow the market to fulfill consumers’ needs as they evolve.

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