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## The Digital Divide, Broadband, and Economic Recovery

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## The Digital Divide, Broadband, and Economic Recovery

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# The Digital Divide, Broadband, and Economic Recovery

Posted on **October 1, 2002** by **Editor**



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**Editor, Interface**

INDEX:

- 01. [Introduction.](#)
- 02. [The Digital Divide and Broadband.](#)
- 03. [The Internet: After the Bubble Popped](#)
- 04. [What is Appropriate Federal Policy?.](#)
- 05. [Broadband and Homeland Security.](#)
- 06. [Conclusion.](#)
- 07. [Notes](#)

.01. **INTRODUCTION** ([return to index](#))

In the previous issue of Interface we discussed “The Digital Divide in the Fall of 2002” [1]. To summarize our position there:

*1) First, we argued that to high school students, a critical element in the digital divide is home access to computers. vs. public access. Hence, recent arguments that public access to computers has recently reduced the digital divide to the point where it no longer requires or justifies federal intervention to diminish it are irrelevant. The digital divide is, and always will be, relative. Those who have maximum access are advantaged; those who have markedly inferior access are disadvantaged.*

*2) Second, we argued that in addition to the importance of home access, there is another important element: broadband Internet access. As an important Pew study demonstrates,*

*the most marked difference between those with broadband access and those without it is the time spent searching for information. The many advantages of broadband are so important that Pew refers to “an emerging broadband lifestyle.”*

In this editorial we will extend this analysis and conclude that a federal program to extend broadband is necessary to bridge the digital divide, and that such a program would both be very beneficial for the American economy, and would strengthen homeland security. [2]

## .02. **The Digital Divide and Broadband** ([return to index](#))

Let us begin by defining broadband. As implied above, Internet access is always going to be relative to the fastest practical communications speeds. At present, there are available a variety of arcane communications channels that are essentially instantaneous, but we are interested here in those accessible to the public at a reasonable cost. At present those channels are largely restricted to Cable Modems and DSL.[3] Roughly 21% of Internet users or 24 million Americans currently have such access. [4]

There would seem to be currently two major obstacles to broadband access facing potential consumers: first, price; second, accessibility. Of these, price is clearly primary, [5] though many living in rural areas might well disagree. Industry also faces two important problems: cost of investment, and the federal regulatory thicket. The first is simply that extending broadband is relatively expensive and likely to be a poor investment until consumer demand awakens to the new opportunities presented. The second is that there are many possible ways to extend broadband, and cable companies and telephone companies favor different regulatory devices and standards, intended, of course, to maximize their own competitive advantage. As a result, the savage battle over federal standards and practices has had the overall effect of retarding rather than facilitating such development. [6]

Some have argued for another obstacle to the expansion of broadband: many people neither want nor need it. [7] The issue here is essentially in sufficient attractive content requiring broadband to deliver it. Most people are still wedded to television for their consumption of high bandwidth media. However, we think that the problem here is not an inherent one: people who have broadband, rarely, if ever, go back. And if there were more consumers, there would also be more content. True broadband would enable a distribution of a far wider range of digital products than is currently the case. We conclude that the primary obstacle is, indeed, price, and the secondary one, geographic accessibility. [8]

## .03. **The Internet: After the Bubble Popped.** ([return to index](#))

Given these many problems, what is the likelihood of immediate expansion of broadband? We need to examine here the health of the telecommunications industry in general. The news, is, of course, extremely depressing. The 2001 and 2002 collapses of the dot.com and telecom bubbles amounted, as D. Quinn Mills states, to “a vast waste of financial capital.” [9] While it is difficult to

find current figures, evidence suggests that the amount of money available for investment was both drastically curtailed and has not even begun to expand once more.

The Internet-related firms have been devastated. The number of firms exhibiting at one of the largest trade shows, New York's Internet World, were 126 this year; several years ago there were 700 exhibitors. Total attendance at such shows is projected to be 56 million people, down from 140 million in 1999, just before the bubble burst. [10]

Many argue that the worst for the .com and telecoms is far from over. Despite the immense loss of value in the crash, 71% of the firms funded by venture capital since 1998 are still functioning. But some believe that they are living on a "massive overhang of venture capital" and will go out of business in great numbers as their accumulated funding is depleted. [11]

However, the development of broadband may ultimately depend not upon new firms, but upon established ones. But the picture here is not much better. The telecoms, too, have lost enormous financial value and are, if anything, overbuilt and overinvested at present. WorldCom is the outstanding example of such firms, of course. Recently, technical difficulties at WorldCom caused the marked slowing of the Internet for the entire United States. [12] This bankrupt firm carries more than half of the country's Internet traffic in its UUNet..

Given the weakness of the American and world economies, and in particular the financial difficulties of the .com and telecommunications sectors, to expect rapid expansion of broadband communications flies in the face of reality. Just as the venture capitalists earlier provided stimulus for these industries, stimulus they can no longer provide, external sources of funding are necessary.

#### .04. **What is Appropriate Federal Policy?** ([return to index](#))

A short time ago, many would unquestionably have replied in answer to the above question: "No federal policy is the appropriate policy." But, in the changed atmosphere following the tragedy of 9-11 not even the most conservative and ideological would argue that federal spending should be *a priori* resisted. Having spent ourselves from a federal surplus to a federal deficit that may well haunt our grandchildren, the question of appropriate federal investment in any given instance is now an open one.

It may seem that given the funds being invested in homeland defense and other forms of security, telecommunications in general will surely benefit, negating the arguments made earlier. Others, however, disagree. [13] But whether this funding is likely to occur or not, it has a fundamental weakness. Its overall impact will be restricted to a relatively few number of firms and sectors and it will be overwhelmingly focused upon Washington D. C. And, like most defense spending, it has a relatively low multiplier factor, and is also, of course, inherently inflationary in that it increases capital without increasing desirable goods on which it can be spent. In addition, like most defense spending, it will cause enormous waste and result in few social "goods". The

counter to this argument of course, would be to reply that all such defense spending is necessary following 9-11. We suggest a simple test for such spending: Would it have prevented the 9/11 disasters?

Economists traditionally recognize three sources of demand in the American economy: consumers, industry, and government. Demand, however, must be backed with funds if it is to be "effective." Both consumers and industry fail this test. Only the government remains as a source of demand for goods. Some economists believe that the economy faces even the specter of deflation. Under such circumstances, several members of the Federal Reserve Board now believe, federal stimulus is appropriate and it is important that it be timely as well, as the case of Japan shows. [14]

At present this position is restricted to such liberal economists as Paul Krugman, columnist for *The New York Times*. [15] Krugman's argument is worth quoting at length here:

*The key point is that this isn't your father's recession — it's your grandfather's recession. ... It's a classic overinvestment slump, of a kind that was normal before World War II. And such slumps have always been hard to fight simply by cutting interest rates...*

*And this situation may last for a while. The overhang of excess capacity, especially in telecommunications, will be worked off only slowly. It's all too possible that we may be looking at a sluggish economy into 2004, maybe beyond. The Fed should cut rates further — it may not be enough, but it will help. What else should we do?...*

*The answer is that we should have a sensible plan for fiscal stimulus — one that encourages spending now, to bridge the gap until business investment revives. ... First, extend unemployment benefits, which are considerably less generous now than in the last recession; this will do double duty, helping some of the neediest while putting money into the hands of people who are likely to spend it. Second, provide aid to the states, which are in increasingly desperate fiscal straits. This will also do double duty, preventing harsh cuts in public services, with medical care for the poor the most likely target, at the same time that it boosts demand...*

*And how will we pay for all of this? You know the answer to that: Cancel tax cuts scheduled for the future. The economy needs stimulus now; it doesn't need tax cuts for the very affluent five years from now.*

*This isn't rocket science. It's straightforward textbook economics, applied to our actual situation. It's also, I'm well aware, politically out of the question. But I think we're entitled to ask why.*

Like Mr. Krugman, we can, of course, ask why; but the answer is self-evident. A spending program of the sort proposed by Krugman smacks too much of Democratic rather than

Republican policies, and in the current political climate, is surely visionary. But we believe that he is basically correct, that federal spending is necessary to stimulate the economy.

.05. **Broadband and Homeland Security** ([return to index](#))

In the present environment it is clear that for federal programs to move easily through both the Whitehouse and the Congress, they must be related to security. We believe that the expansion of broadband *is* related to security in that not only is the national vulnerability most to be feared a continually weakening economy, but that in particular the distortion of R & D funding into defense, narrowly defined, must be avoided. [16] Spending on broadband would stimulate the most basic sinews of modern warfare—the industries related to computing and to telecommunications. The multiplier effect would be considerable and most of the spending would be in local firms and communities rather than restricted to huge projects in federal facilities. A wide variety of allied industries, from entertainment to education, would be immediately benefited. Consumers, particularly the most disadvantaged, would see immediate results.

.06. **Conclusion** ([return to index](#))

We think that the need for broadband expansion and for a federal stimulus to its development is clear. Without the expansion of broadband, further development of computers and telecommunications will be markedly slower than over the past twenty years. We believe that these industries are vital to national security and economic well being.

For such federal spending to succeed, however, some political and economic patterns would have to be radically altered. If there is precedent for national investment in transportation and communications, there is also ample history to show that such programs easily become boondoggles twisted to reward some firms at the expense of others, some constituencies at the expense of others, etc. The current squabble over standards would have to be resolved by technical experts rather than by lobbyists. A federal program to spur the development of broadband would have to be carefully considered and managed if it were to be successful. The same can be said of every other federal program, of course.

**NOTES:** ([return to index](#))

[1] Jeffrey G. Barlow, The Digital Divide in the Fall of 2002, *The Journal of Education, Community, and Values: Interface on the Internet*. 2002, 08.

<http://bcis.pacificu.edu/journal/2002/08/editorial.php>

[2] “The Broadband Difference, How online American’s behavior changes with high-speed Internet connections at home” p. 4.

[http://www.pewinternet.org/PPF/r/63/report\\_display.asp](http://www.pewinternet.org/PPF/r/63/report_display.asp).

[3] For a discussion of these, see Simson Garfinkel, “Cable modems or DSL: Which is better?”

My Net connection approaches light speed with cable, but that doesn't guarantee a victory over DSL. *Salon*, 9/23/99

[http://www.salon.com/tech/feature/1999/09/23/cable\\_dsl/](http://www.salon.com/tech/feature/1999/09/23/cable_dsl/)

[4] Some sources put this group at no more than 10% of users: Roy Mark, "ISPs Organize Against FCC Deregulations" *Internetnews.com*,

<http://dc.internet.com/news/article.php/1367701>

[5] For evidence that price is, in fact, the primary bar to most consumers, see: D. Ian Hopper, "Report: Demand Low for Broadband" *Washingtonpost.com* Monday, September 23, 2002;

<http://www.washingtonpost.com/wp-dyn/articles/A54599-2002Sep23.html>

See also See, for example, the materials in "Bringing a Nation Online: The Importance of Federal Leadership" A Report by the Leadership Conference on Civil Rights Education Fund and the Benton Foundation With Support from the Ford Foundation Prepared by Leslie Harris & Associates July 2002 .pp 7-11.

<http://www.civilrights.org/publications/bringinganationonline/>

[6] See Roy Mark, "ISPs Organize Against FCC Deregulations" *Internetnews.com*,

<http://dc.internet.com/news/article.php/1367701>

For an example of the complexity of this field see the Senate bill S. 2048 "Consumer Broadband and Digital Television Promotion Act" and associated discussions:

<http://www.politechbot.com/docs/cbdtpa/>

[7] D. Ian Hopper, "Report: Demand Low for Broadband" *Washingtonpost.com* Monday, September 23, 2002;

<http://www.washingtonpost.com/wp-dyn/articles/A54599-2002Sep23.html>

[8] Mills, D. Quinn. *Buy, Lie, and Sell High: How Investors Lost Out on Enron and the Internet Bubble*. New York: Prentice-Hall Financial Times, 2002. 175.

[9] Mills says that as of the 2nd quarter of 2001, less than 13% of the amount of venture capital available one year earlier was being invested. This means that new start-ups in the very expensive telecom field are unlikely indeed.

[10] "Internet world dying in its booths" *Washingtonpost.com*, 10/03/2002, Page EO1,

<http://pqasb.pqarchiver.com/washingtonpost/access/...>

[11] The Download "Predictions of a Coming Storm" *Washingtonpost.com*, Thursday, October 3, 2002; Page E01

<http://pqasb.pqarchiver.com/washingtonpost/access/...>

[12] "Internet Problems Tied to WorldCom's UUNet Unit" Thursday, October 3, 2002; 2:55 PM, *Washingtonpost.com*,

<http://www.washingtonpost.com/wp-dyn/articles/A38808-2002Oct3.html>

[13] This position is represented at: Cynthia L. Webb , "Investors Smell Green in Government IT Sector" Government Contractors Take Advantage of Tech Bust To Actively Court Wall Street *Washingtonpost.com* Friday, October 4, 2002; 12:00 AM

<http://www.washingtonpost.com/wp-dyn/articles/A39865-2002Oct3.html>

Other industry analysts, however, take a contrary view. See: Cynthia L. Webb, "Experts: Cybersecurity Draft Not Likely To Lead To IT Spending Flood" *Washingtonpost.com*, Thursday, September 19,, 2002; 12:00 AM,

<http://www.washingtonpost.com/ac2/wp-dyn/A35827-2002Sep18?language=printer>

[14] David Leonhardt, " Japan and U.S.: Bubble, Bubble, Toil and Trouble" *The New York Times*, October 2, 2002

<http://www.nytimes.com/2002/10/02/business/02JAPA.html>

[15] See Paul Krugman, "My Economic Plan" *The New York Times nytimes.com*, October 4, 2002

<http://www.nytimes.com/2002/10/04/opinion/04KRUG.html>

[16] Jeffrey Barlow, "The Internet, Securities, and Security", *The Journal of Education, Community, and Values*, July, 2002 at:

<http://bcis.pacificu.edu/journal/2002/07/editorial.php>

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25 THOUGHTS ON "THE DIGITAL DIVIDE, BROADBAND, AND ECONOMIC RECOVERY"

**Maxine**

on **January 29, 2014 at 8:28 PM** said:

Pretty section of content. I just stumbled upon your site and in accession capital to assert that I acquire actually enjoyed account your blog posts. Any way I'll be subscribing to your feeds and even I achievement you access consistently quickly.

**empower texans**

on **January 29, 2014 at 10:55 PM** said:

I got this website from my pal who told me concerning this site and at the moment this time I am browsing this website and reading very informative content here.

**work hard quotes**

on **January 30, 2014 at 9:53 AM** said:

Marvelous, what a website it is! This weblog presents valuable facts to us, keep it up.

**affiliate blog beast**

on **January 30, 2014 at 10:49 AM** said:

I got this website from my pal who informed me concerning this website and now this time I am browsing this web site and reading very informative posts at this time.

**money baby download**

on **January 30, 2014 at 5:14 PM** said:

I visited various sites except the audio feature for audio songs current at this website is in fact superb.

**Clara**

on **January 30, 2014 at 5:34 PM** said:

Very good article! We will be linking to this particularly great post on our website. Keep up the good writing.

**windows home business**

on **January 30, 2014 at 6:14 PM** said:

Wow! After all I got a webpage from where I be able to truly get helpful facts concerning my study and knowledge.

**Marty**

on **January 30, 2014 at 7:17 PM** said:

I've been browsing on-line greater than 3 hours today, yet I by no means found any attention-grabbing article like yours. It's beautiful price sufficient for me. Personally, if all webmasters and bloggers made good content as you did, the internet will likely be a lot more useful than ever before.

**Wall Street Kid Cheats**

on **January 30, 2014 at 8:19 PM** said:

I was extremely pleased to uncover this website. I want to to thank you for your time due to this fantastic read!! I definitely savored every part of it and I have you saved as a favorite to look at new information on your web site.

**emc corporation scottsdale lodging scuba gear umpqua bank google email disney world vacation satellite internet providers bush office furniture online stock trade franklin movers live in the sky disk data recovery roseville movers boca raton movers sexual**

on **January 30, 2014 at 10:40 PM** said:

Very energetic post, I loved that bit. Will there be a part 2?

**work from home jobs online**

on **January 30, 2014 at 11:38 PM** said:

Great goods from you, man. I've understand your stuff previous to and you're just extremely magnificent. I actually like what you have acquired here, really like what you are stating and the way in which you say it. You make it entertaining and you still take care of to keep it wise. I can not wait to read much more from you. This is actually a great site.

**inbox blueprint review**

on **January 30, 2014 at 11:57 PM** said:

This is a good tip especially to those new to the blogosphere.

Short but very accurate information... Appreciate your sharing this one. A must read post!

**Arnold**

on **January 31, 2014 at 10:40 AM** said:

Hi, I think your blog might be having browser compatibility issues. When I look at your blog site in Safari, it looks fine but when opening in Internet Explorer, it has some overlapping. I just wanted to give you a quick heads up! Other than that, fantastic blog!

**code enforcement**

on **January 31, 2014 at 11:06 AM** said:

I think this is among the most vital information

for me. And i am glad reading your article. But should remark on few general things, The web site style is ideal, the articles is really excellent :  
D. Good job, cheers

**Alfonso**

on **January 31, 2014 at 2:02 PM** said:

Hi there just wanted to give you a quick heads up.  
The words in your post seem to be running off the screen in Safari.  
I'm not sure if this is a format issue or something to do with internet browser compatibility but I thought I'd post to let you know.  
The layout look great though! Hope you get the issue solved soon.  
Cheers

**signals linux**

on **January 31, 2014 at 11:00 PM** said:

It's amazing to go to see this web site and reading the views of all friends regarding this post, while I am also zealous of getting familiarity.

**easy ways to make money**

on **February 1, 2014 at 6:55 AM** said:

Hello There. I discovered your blog the usage of msn.

That is an extremely neatly written article.

I will make sure to bookmark it and return to learn extra of your helpful information. Thank you for the post. I will certainly return.

**network marketing today**

on **February 1, 2014 at 8:15 PM** said:

Oh my goodness! Incredible article dude! Thank you, However I am going through difficulties with your RSS. I don't know the reason why I can't subscribe to it. Is there anybody else getting similar RSS problems? Anybody who knows the solution can you kindly respond? Thanks!!

**Carma**

on **February 2, 2014 at 4:43 PM** said:

I'm not sure exactly why but this web site is loading extremely slow for me. Is anyone else having this problem or is it a problem on my end? I'll check back later and see if the problem still exists.

**massachusetts mutual home loan payment calculator auto insurance canada rachat de credit card credit online processing call answering service cash for structured settlement payments lasik los angeles cash settlement mortgage home equity aaron lewis i need**

on **February 3, 2014 at 3:06 AM** said:

Tremendous issues here. I'm very satisfied to peer your post. Thanks so much and I am having a look ahead to contact you. Will you please drop me a mail?

**online work Uniform store**

on **February 3, 2014 at 10:51 AM** said:

Awesome! Its actually amazing paragraph, I have got much clear idea about from this paragraph.

**training programmes**

on **February 4, 2014 at 3:19 AM** said:

Definitely believe that which you stated. Your favorite reason appeared to be on the net the simplest thing to be aware of. I say to you, I certainly get irked while people consider worries that they just don't know about.

You managed to hit the nail upon the top and also defined out the whole thing without having side effect , people can take a signal. Will likely be back to get more.

Thanks

**Ross**

on **February 4, 2014 at 8:14 AM** said:

You can definitely see your expertise within the work you write. The world hopes for even more passionate writers like you who aren't afraid to say how they believe. Always follow your heart.

**Juanita**

on **February 4, 2014 at 3:17 PM** said:

I am in fact thankful to the holder of this web site who has shared this great article at at this time.

**social media research paper**

on **February 6, 2014 at 3:10 AM** said:

My family members always say that I am killing my time here at web, but I know I am getting familiarity every day by reading such

nice articles.