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Government-run broadband: Still a bad idea

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Some bad ideas never die. My current favorite is the idea of government involvement in broadband deployment.

The demands for government-owned, -run, or -sponsored broadband service continue, despite the fact that broadband service is reaching new people every day. A key element of the argument is that broadband service is a public good that promotes democratic participation, economic development, and so forth.

But is it actually a public good? In economic theory, a public good is something that a unit of government must provide because left on its own, the private sector won't provide it, or at least not enough of it.

A public good has several qualities, none of which call for government providing broadband, or high-speed Internet access.

A public good is, above all things, "non-excludable." That means that once you offer a service to one person or group of people (willing to pay), you can't avoid providing it to freeloaders, or people who won't pay. The result: There are insufficient economic incentives in the private sector to provide the service. The classic example is national defense: The army protects you whether you pay for it or not.

Is broadband an excludable good? Certainly. It doesn't matter whether we're talking about broadband in the office, at home, or on the road. It doesn't matter whether the connection is through a coaxial cable, a fiber cable, or through the radio spectrum. Through physical connections and passwords, access to the Internet can be limited to people who pay for the privilege.

A public good, in addition to being non-excludable, is non-rivalrous. Non-excludable focuses on access to the good; non-rivalrous focuses on the quality of the good. A non-rivalrous good is one that I enjoy without your enjoyment of the good being impaired. Air quality is a good example of a non-rivalrous good. If I shoulder the burden of cleaning up the air in a small town (say, by installing a technical solution), I will enjoy the benefits of cleaner air, but so will you. So my incentive is to under-invest in clean air.

If broadband is non-rivalrous, then companies will produce less of it than we need, since (again) they will have little incentive to produce all that is required. But broadband access is in fact rivalrous. For example, when everyone comes home from work and jumps on the Internet through a cable service, speeds can decline.

The case for government provision of broadband is questionable for another reason: It flies in the face of the tradition of limited government, and appeals to the sentiment that if there's a problem, government is the solution. Granted, government's role in the country has expanded greatly from 100 years ago. But even with all the rules of the Federal Communications Commission and government-mandated "cable access" channels, our governments have by and large not succumbed to the temptation to get in the business of providing communications facilities—unlike those of, say, France or Britain or countries with even less free governments. The push for government involvement in broadband would be a further step away from those qualities that distinguish America from other countries.

The case of Provo

A few governments in the U.S. have tried to get into the broadband business. Their record does not inspire confidence in further attempts. In April, the Reason Foundation gave us a review of one case, the city of Provo, Utah.

According to the brief, "iProvo Revisited: Another Year and Still Struggling," the experience of Provo provides yet another example of the limits of government broadband.

It argued that iProvo, a municipal effort in Utah that involved telephone, cable TV and Internet access, had not increased the use of broadband in the city. Further, it was failing to meet its own business goals, even in the fourth year of operation. It has required a larger subsidy each year, for example. Steven Titch, the report's author, argues that paying off the debt on the system will be difficult if not impossible.

The city may compound its woes, he says, by requiring that city departments—captive customers of iProvo—pay more for their telecommunications services. This move would contribute to the fiscal health of iProvo, to be sure. But since city departments derive their budgets from city taxpayers, raising the rates charged to departments becomes yet another demand on the public purse.

Provo is not alone. Numerous other cities across the country have scaled back or abandoned their plans for broadband. Some, such as Lebanon, Ohio, have left local taxpayers on the hook for the failed experiment. There's no need for others to follow in their footsteps.