

The Daily Dish

Rural Broadband Redux, What We Know

WILL RINEHART | AUGUST 22, 2017

Eakinomics: Rural Broadband Redux, What We Know

Rural broadband deployment has long been relegated to a minor policy role, but policymakers of all stripes are taking up the charge. Over at the Federal Communications Commission, Chairman Pai declared August Rural Broadband month, and has teed up several changes to help deployment. Senators Kirsten Gillibrand and Shelley Moore Capito are reintroducing their Broadband Connections for Rural Opportunities Program Act, which would put more funding into the Rural Utilities Service, a program that has had its share of controversy. And in Georgia, rural broadband deployment is set to become a 2018 election issue. While these proposals are laudable, far too much attention is being directed at broadband deployment—and not enough at broadband adoption and use.

The misplaced focus is understandable. Researchers consistently find that broadband penetration coincides with stronger employment, greater business formation, and a higher percentage of companies in information technology. Since rural America lags urban regions in each of these categories, policymakers are looking to broadband deployment plans to help solve sluggish growth.

Yet, the causal relationship between economic development and broadband doesn't run both way. Broadband is an input to business development, so broadband deployment often signals stronger demand. Injecting broadband into a region won't help much unless other key components exist, like education and capital. Indeed, studies find that higher broadband availability in rural counties actually leads to less total employment if there isn't a similar level of adoption since companies will outsource their labor needs.

Efforts by the federal government to make broadband more available haven't been particularly successful. An analysis of the United States Department of Agriculture found

“no evidence that loans received as part of the current Broadband Loan program have had a measurable positive impact on recipient communities.” The Obama-era American Recovery and Reinvestment Act, colloquially known as “the stimulus,” fell short of expectations as well. Some communities saw a marginal increase in broadband adoption as part of the Community Connect program, but there was no change in economic and quality of life measurements pushed by the Obama Administration.

While rural America is diverse, counties tend to have dominant industries, which means specialized policies are needed. Rural counties focused on farming or recreation have median ages of 44 and 47, respectively, far older than the U.S. average of 37. Older farmers and retirees both have cited difficulty in understanding and using hardware and software as a barrier to Internet use. So, policies should be tailored for digital literacy, not just availability in these counties. On the other hand, rural counties where the federal government is the prominent employer have higher poverty rates, so cost reduction methods like a communication voucher make better sense.

Both research and experience suggest that the best mix of broadband policies will vary depending on regional needs. In all, federal government efforts to expand availability—no matter how costly—aren’t likely to do as much as focused state and local efforts to increase broadband adoption.