



The Daily Dish

Fostering 5G

DOUGLAS HOLTZ-EAKIN | MARCH 21, 2019

Eakinomics: Fostering 5G

Germany is suddenly the center of tech news with its announcement of [spectrum auctions](#) intended to foster the next generation of wireless communication networks (also known as 5G), and Chancellor Angela Merkel's seeming [dismissal](#) of security concerns regarding the use of Huawei components in 5G networks: "There are two things I don't believe in. First, to discuss these very sensitive security questions publicly, and, second, to exclude a company simply because it's from a certain country."

The intersection of the need to build 5G networks and security concerns about those networks has produced a spirited debate recently. Former House Speaker Newt Gingrich (characteristically) stirred things up by [opining](#), "In the very near future, dominating the wireless world will be tantamount to dominating the world...the American government and American companies are far behind and just starting to play catch up," and finally, "Our own laissez-faire tendencies and preferences are being used to defeat us."

His solution? To *de facto* nationalize 5G networks – cleverly relabeled a "moonshot" – that would then be provided on a wholesale basis. This notion was [echoed](#) by the Trump re-election campaign.

Everyone should take a deep breath. First, there is no evidence that the United States is "behind." Ask the [industry group](#). Or ask the *Washington Post*.

Second, building the fastest, whiz-bang physical network misses the point. The U.S. dominance of 4G didn't come from the wireless networks as such, but from the platforms that device manufacturers were able to create and in the risk taking attitude of our innovation culture. Airbnb, Etsy, Pinterest, Instagram, Uber, and others were able to grow because of the network capacity, but also the handset devices and the willingness to risk it all.

The development of 5G will similarly hinge on the creation of a broader ecosystem. As [one industry insider](#) explained it, "The key advances [in the 5G era] will be about new use cases, revenue models and applications, especially those related to new computer-driven use cases, not human end user behavior."

There is a role for the government in minimizing the policy uncertainty that surrounds large-scale investments in 5G infrastructure and deployment and fostering a climate of innovation for devices and applications. And it should remain vigilant regarding security concerns and industrial espionage that can be traced to Huawei (or anyone else). But there is no sensible case for single-payer 5G.