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Assessing Internet Inequality in the US

Now more than ever we are living in a world dominated by the internet. 64% of the world uses the internet and big data is one of the most valuable markets in the world. Many people in the modern world cannot imagine a life without the Internet. It aids us in our jobs, entertains us, and guides us, but despite all this, it is not something that everyone has. In the US, 19 million people don't have access to any internet at all, which is not to mention those who cannot afford the commodity. While 10 years ago internet access may have been a luxury, this is simply no longer the case. Internet access is a necessity. According to a study by MGI, "The Internet accounted for 21 percent of GDP growth over the last five years among the developed countries." (Matthieu) Unequal access is a problem that must be solved as quickly as possible.

While it is tempting to think of people not having the internet as one problem with one solution, this is not the case. In reality, many different issues lead to people needing access, and addressing all of these issues is the only way to solve the problem. This paper will focus mainly on creating the infrastructure and increasing the affordability of internet access, but things like government institutions and digital proficiency also need to be taken into consideration when finding a solution. This paper will also focus on broadband internet access as opposed to internet access in general. Broadband is defined as at least 25 Mbps download and 3 Mbps and is a common standard for determining a good, usable connection.

Internet access inequality was certainly an issue before 2020, but the pandemic rapidly sped up society's conversion to the online world. Children switched to online classes while stores closed leaving many to shop online. Covid fundamentally changed the way that we interacted as a society, and in doing so we unintentionally left people behind. Many families were forced to venture out on a daily basis to find connections so their children could go to school, while others could not afford the internet accessible in their neighborhoods. Furthermore, this unequal access almost directly correlates with income. People with lower income are more likely to not have access to sufficient internet. This is especially concerning because many of the things people use the internet for help pull people out of poverty. For example, in a study of 77 million people conducted by the Gates Foundation, it was found that 42% of people used the Internet for educational purposes, 75% for finding jobs, and 37% for healthcare(Ney, Jeremy). With decreased access to education, jobs, and healthcare, lack of internet access is reducing people's ability to better their situations.

One of the most common approaches to increasing infrastructure and affordability is through direct funding by the government. For example, President Biden recently proposed a plan that would direct \$100 billion dollars toward digital infrastructure, and other similar plans have helped increase affordability or subsidize internet for lower-class individuals. While these plans certainly help, they are not sustainable solutions to the problem. They also fall short of the amounts of money required. Due to incorrect mapping from the FCC, it was found that to accomplish what Biden's \$100 billion was set out to do, the government would need to allocate at least 2.4 times that amount ("How to Close the Digital Divide in the U.S."). Clearly deficit spending is not the way to go, and other solutions are needed.

One solution to generate money for government expansion of infrastructure and increased affordability would be a tax on the businesses that stand to benefit the most from increased internet traffic. For example, a recent suggestion from Paul Romer proposed introducing a tax on targeted digital ads. In 2020, social media and video advertisements alone generated a combined revenue of \$67.7 billion. A tax rate of 20% on these ads would create an additional \$13.5 billion. This proposal was also mostly presented as a way for the government to discourage companies from utilizing targeted ads. With this in mind, the tax could be expanded past targeted ads to all forms of digital advertisements, which generated \$209 billion in 2022. Taxing all advertisements at say 10% (while keeping targeted ads at 20%) would generate over \$25 billion dollars in revenue each year, completely making up for the gap seen in Biden's proposal over the course of 6 years, but then continuing to fund improvements. This solution would help create a sustainable solution to internet inequality, while also helping the government control how corporations are using the internet (“How to Close the Digital Divide in the U.S.”).

While government funding is one approach to this problem, it is not the only one. Instead of asking how the government can increase internet infrastructure and affordability, a better question would be why aren't internet service providers motivated to make these improvements themselves. Why aren't ISPs fighting to get internet to new places to acquire new customers, or lower prices on their current offerings to occupy a new clientele? As it turns out, the answer to these questions is competition. There is simply not enough competition between ISPs in the US, and this is not the first time this has happened. In the 1980s, the Bell telephone company held a monopoly on the telecommunications industry. They bought up local competition and used their dominance to raise prices and avoid improving access for customers. These problems are very similar to the issues we face today, with high prices and a lack of infrastructure expansion. While

the Bell Telephone Company was eventually broken up in a monopoly lawsuit, the residual companies ended up being not much better. Today in America, 83 million people, or 25% of the country have only one provider through which they can achieve broadband access. When expanding this to markets with only two options (which is typically considered to be a non-competitive market), that number grows to 38%. This 38% is also concentrated more in rural places that lack infrastructure, only worsening the situation. A study that aimed to analyze ISP competition in the US concluded that, “Our study has shed light on the sad state of competition in internet service markets around the United States. It confirms much of the anecdotal evidence we’ve been collecting that there simply isn’t enough choice when it comes time to shop for an ISP, a problem most American consumers aren’t used to and simply won’t tolerate” (Team, BroadbandSearch).

While this issue is a stand-alone topic itself, there are certainly measures that can be taken to help move ISP competition in the right direction, and directly help some of those people most affected by the internet divide. Regulations that deal with market competition are very sensitive, but regulations that encourage ISPs to move into more rural areas would help create competition in the places that desperately need it. A more direct approach could be to begin treating internet as a utility in rural areas that lack competition. Traditionally, both ISPs and the government have steered away from such an approach as there was considered to be enough competition. While this may be true in major cities, it is not for much of America. Treating broadband internet in rural areas as a utility would mean allowing states to regulate things like accessibility, infrastructure, and price of broadband internet, allowing states to artificially increase access to internet.

Ultimately all of these solutions have their advantages and disadvantages. Deficit spending provides immediate upsides but is expensive and unsustainable. Taxing ad revenue solves the sustainability issue but would be met with lots of resistance at the legislative level due to the strong lobbying power of big tech. Manipulating the ISP market to introduce competition could have unforeseen consequences, and finally giving states control of internet as a utility would help rural places without internet but does little for those still unable to afford internet in competitive markets. The real solution to this problem is a mixture of all of these, and that solution must come fast. These proposals can also be taken outside the US and applied to other countries and regions. The internet divide is as much a global issue as it is a US issue and just like how people can utilize the internet to pull themselves out of poverty, countries can utilize the internet to develop and globalize at unprecedented speeds. The internet is full of infinite possibilities and opportunities, and it is critical that we as a society make sure that everyone has the opportunity to capitalize on it.

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