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Financing Broadband Access Should Not Entail Taxing Broadband Access

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There are few policy goals that the Democrats and Donald Trump share: A desire for universal broadband happens to be one of them.

Extending access to a high speed internet connection to every household in America has long been a part of the Democratic platform. In 2010 merely suggesting that there might be a few homes somewhere in America that are simply too costly to reach resulted in a presumptive FCC commissioner losing his appointment.

Last year the Trump Administration established an office of american innovation tasked with a variety of things, including a push to bring broadband for all. Current FCC chairman Ajit Pai is on board, and he has suggested that if the president and congress were to pass a massive infrastructure investment plan that it should include money to pursue universal broadband. A Democratic House of Representatives in 2019 would not change that priority one bit.

In short, there is a very real chance that the federal government will soon increase spending to expand high speed internet access to more Americans.

Given this rare convergence of opinions in DC, who would be pushing back on such efforts? The City of Eugene Oregon, for one.

Last year the city succeeded in its decade-long attempt to impose a monthly tax on broadband service for all Comcast customers in the city. That tax is on top of the various other fees, taxes and service charges that the federal and state governments impose on people who purchase broadband, telephone service and cable television from one provider.

These fees are not puny: for instance, on our bill in Washington DC these total to nearly \$30 a month. Twenty years ago \$30 was my entire cable bill. While a tax this size may amount to a mere inconvenience for our family, it is anything but for a working class family.

The typical retort to high taxes on cable access may be that they can simply avoid them by purchasing internet access all by itself, but the truth is that they usually don't. And adding a new tax to get money from those who do choose internet-only option, as Eugene has done, means that

even this option is less attractive. A federal push to expand access to high-speed internet is incongruous with and state and local governments increasing their taxes on that service.

The holy grail for economists is a tax that does not change the demand for a good at all, and thus has no distortive effects on the economy whatsoever. At one point it could be argued that cable service was a candidate, but as the price for cable television has risen over the decades--abetted by access to content increasingly available on the internet --people have increasingly “cut their cord” of late and there is no indication of this trend receding anytime soon.

It's pretty obvious that the demand for internet access is not imperviousness to cost, at least not for everyone. While the urban middle class cordcutters will keep their internet and watch TV on their computer, it's not clear that low-income people will do that. These people have affordable, albeit inferior, substitutes for high speed internet access--accessing the internet on their cell phone, for instance, or via a bare bones internet connection that is not high speed, or simply visit the local library. None is particularly desirable if we think that access to the internet helps this cohort look for employment, access government programs, or conduct commerce.

Our federal government does not think this is desirable and is prepared to make a sizeable expenditure to increase access to high-speed broadband. To turn around and have another government entity tax the service it is subsidizing--and to use the money not to fund internet access in its community but treat it as general revenue, as Eugene does--defeats a rare bipartisan goal.

Expanding the reach of high-speed broadband to those currently underserved will cost billions of dollars--more money than the universal service charge generates. There are no free lunches in government, despite the fact that we desperately pretend to the contrary.

A responsible, rational government would discuss ways to pay for expanding internet access at the same time it strategized about how to achieve such a thing, of course. If we did have such a government it is a safe bet that it would not impose a new tax on the very people we are trying to encourage to acquire high speed internet access.

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