The “Digital Divide” and the Distribution of Wealth

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Premises:
- Subsidies to communications infrastructure are political bargains for wealth redistribution
- The “digital divide” is a rhetorical ploy by political entrepreneurs to rationalize new forms of wealth redistribution

Playing with numbers: Household PC penetration

More Number play: Internet access, income, & urbanization

News item: Feb 2000
- NTIA Chief Greg Rohde says “the digital divide is real.” He has seen it in rural areas of North Dakota, his home state.
- Evidence: Some small farming communities can’t get over-the-air broadcast television and have no cable TV service.
- Solution: use federal funds to pay for analog TV service to rural areas

Wealth and Telephone penetration
Inequality exists. Get used to it!

- A literacy divide
- A print divide in Europe in the 16th century
- A housing divide
- A transport divide (Michael Powell called it the “Mercedes divide”)
- A health care divide
- And so on and so on and so on...

Wealth redistribution policies

What they will NOT accomplish:
- End disparities between rich and poor
- Fundamentally alter the opportunity structure of society
- Build the infrastructure
- Encourage radical innovations

What they MIGHT accomplish:
- Produce marginal improvements in social penetration
- Make life a little better for some of the poorer members of society
- If taken too far, freeze business and technical innovation, create major inefficiencies, and stifle initiative

Four Guidelines for Policy

- Redistribution is only relevant at the margin
- Wealth redistribution is based on political bargains
- Wealth redistribution should be explicit, targeted, and competitively neutral
- Do not impose universal service goals on new or emerging media forms