Lifelines in Cyberspace: Should Disadvantaged Consumers Obtain Subsidized Access to the Information Superhighway?

Norman I. Silber
Maurice A. Deane School of Law at Hofstra University

Follow this and additional works at: https://scholarlycommons.law.hofstra.edu/faculty_scholarship

Recommended Citation
Available at: https://scholarlycommons.law.hofstra.edu/faculty_scholarship/1030
Lifelines in Cyberspace: Should Disadvantaged Consumers Obtain Subsidized Access to the Information Superhighway?

Norman Silber
Hofstra University Law School

WHAT'S A LIFELINE, AND WHERE IS CYBERSPACE, ANYWAY?

Lifeline 1 a line to which persons may cling to save or protect their lives b a line attached to a diver's helmet by which he is lowered and raised c a rope for lowering a person to safety 2 something (as a trade route or means of communication) regarded as indispensable for the maintaining or protection of life.t

Cyberspace, the unbounded magnetic field where users of computer technologies connect with each other, looks limitless. In cyberspace there are public meetings and private exchanges. There are card catalogs for researching and libraries. There are rock concerts and jazz trios. There are job training sessions and physical training sessions. There are books, magazines, clothes, pizzas, airline tickets, stocks and bonds, and even romantic escapades. There are tag sales and catalog sales and boat sails; in fact, on-screen retailing may be the dominant form of consumer behavior in the future (Buckley, 1995). The applications of cyberspace technology—computer, cable, telephone, and satellite communications systems—have expanded exponentially over a short time. As a whole they show no signs of diminishing in popularity.

What becomes of the consumers who never get “on line”? What happens to those
In the 1970s, it became evident that rising energy costs were elevating heating expenses beyond the ability of poor consumers to pay for them, and lifeline energy contracts were formed. Advocacy by consumer groups helped to obtain subsidized telephone and heating services.

LIFELINES IN CONTEXT

The lifeline concept has its roots in the conception of public responsibility toward the unemployed, underemployed, and impoverished forged during the Great Depression of the 1930s and furthered in subsequent years. The policies of the Welfare State directed the choices and expenditures of government toward helping the poorest to obtain bare necessities for livelihood and a minimum level of participation in public discourse. The principle of “universal service,” embodied in the 1934 Communications Act, compelled phone companies to require higher income customers to subsidize the cost of serving poor, rural, or other less profitable customers, and, similarly, required phone companies in more profitable districts to subsidize those companies serving poorer areas. The Social Security Act, the Works Progress Administration, and other cornerstones of the New Deal were also, in significant respects, “lifeline” measures.

Publicly supported lifelines developed more recently than have served to reduce utility and banking costs to the poor. In the 1970s, it became evident that rising energy costs were elevating heating expenses beyond the ability of poor consumers to pay for them, and lifeline energy contracts were formed. Advocacy by consumer groups helped to obtain subsidized telephone and heating services for people “who could not pay existing utility rates, but who stood in need of at least some level of these services” (Rubin, 1992).

After the partial deregulation of the banking industry in the 1980s, consumer advocates developed the idea of lifeline checking accounts. Consumer finance scholars and others argued that low-income consumers had gained little from the deregulation of savings accounts—that while they gained from the ability to receive interest on their small savings balances, they lost more because many new fees were now permitted to be charged (Rubin, 1992). Many consumers with low incomes, furthermore, did not have checking accounts and so found it difficult to conduct essential financial transactions such as cashing checks. More than a half dozen states required banks to offer lifeline checking accounts that provided low-income consumers certain limited services at below-market rates by the mid-1990s. At the federal level and in dozens of other states, “lifeline” checking received serious consideration.

Economic evaluations of lifeline services have not lavished unqualified praise on either the services provided or the costs being spread to others. Law and economics scholar Edward Rubin concludes that lifeline service requirements in banking, for example, have not provided economically efficient solutions to the problems of the poor. The services to the poor are often inferior—lifelines provide few incentives to financial institutions to improve them. In some cases, the expenses of subsidizing the poor are not paid by an appropriate class of subsidizers.
Nonetheless, Professor Rubin and others acknowledge that the problems that lifeline rules have addressed in these areas—the need to provide indispensable services at affordable costs to a significant number of poor consumers—are not mirages. In the lifeline telephone, heating, and banking instances, the real problems of poor consumers are not confronted without some kind of lifeline rules—regulatory incentives for providers to serve poor consumers, or subsidies that enable poor consumers to pay market prices for services they otherwise could not afford (Rubin, 1992).

Historical experience lends support to the view that in some circumstances lifelines may have great value. Indeed, the Telecommunications Act of 1996 contains provisions that affirm the principle of universal service and call for “specific, predictable, and sufficient federal and state mechanisms to preserve and advance [it]” (Telecommunications Act of 1996, Section 254). The question arises whether there is a logical and empirical basis to support the application of the lifeline concept to cyberspace.

THE WHOS AND WHYS OF BEING LEFT OUT

To make the case for lifelines, the contours and profile of an emerging information underclass must be established. The alarm has been sounded already. “If we allow the information superhighway to bypass the less fortunate, even for an interim period of time,” Eileen Hemphill, consumer advocate, has stated, certain parts of America will be left out of the Information Age (Hemphill, 1994). She echoes the concerns of many when she observes that without “universal availability,” the implementation of an advanced information network based on access to cyberspace will result in a country of the “information poor” and the “information rich” (Hemphill, 1994).

As a matter of logic, it is quite plausible to believe that a substantial segment of society cannot afford to get onto the Internet or any other network in cyberspace because communicating and transacting business there is expensive. Initial outlays to buy necessary hardware, even in second-hand markets (the best of which are themselves in cyberspace) typically exceed $500. Leases generally run in excess of that amount per year. Minimum recurring charges for access to the Internet now start at around $20 per month before adding specific usage fees. The cost of obtaining basic computer literacy is significant and must be tackled to these costs. The resulting sum presents a barrier to millions of Americans. “The specter of information haves and have-nots,” The Nation observes, “is already upon us” (Shapiro, 1995).

Evidence is accumulating, furthermore, that telecommunications companies have business incentives selectively to avoid improving information “infrastructure”—especially in the high-speed cables and relay facilities necessary for sophisticated consumer technology uses—in low-income neighborhoods. Jeffrey Chester, executive director of the Center for Media Education in Washington, has concluded after examining the expansion plans of some companies that “low-income and minority neighborhoods are being systematically underrepresented” in projects to provide high-technology infrastructure (Bryant, 1995). In Chester’s view, “this is the civil rights issue of the 21st century.”

Another study by a coalition of groups including the National Association for the Advancement of Colored People, the Consumer Federation of America, and the Center for Media Education suggests that poor and minority neighborhoods are already becoming victims of “electronic redlining” (Rose, 1994). Apart from minority and low-income communities, reports also have suggested that the varying information needs of school children, rural communities, and the elderly are not being met adequately (Senkevitch, 1994).

And yet these problems may, in the big picture, be minor ones. The cost of access has come down considerably over the past several years. Competition between service providers is in many respects intense. Some poor people have become sophisticated cyberspace residents. Barriers to entering many parts of cyberspace are few. The promulgation of a “video dial-tone standard” (a technological standard issued by the FCC) may help to convert televisions into ports of entry to cyberspace—and bring a minimal level of access to infor-
The contention that limited access to new information technologies will be economically and culturally destructive has already been validated from different perspectives in several ways. One way to think about this is to consider the advantages already obtained through the use of cyberspace, in home banking, financial services, education, health care, and even public service.

EVIDENCE OF DISADVANTAGE

If it can be shown that a significant information underclass looms on the horizon, it needs further to be established that the consequences of “information impoverishment” are severe. Some corporate representatives have suggested that cost-based cyberspace deprivation is no more an impediment to economy and achievement than other high-priced goods in a market economy. “Today,” it has been observed, “books aren’t free, computers aren’t free, subscriptions to on-line services aren’t free. We already have a system of haves and have-nots” (Rose, 1994). The implication of such a comment is that the gap between the information rich and poor, the computer-familiar and computer-deprived, will be neither unusually large nor especially detrimental.

For the disadvantaged, however, the difficulties of reaching cyberspace promise to be more than an inconvenience, and much more troubling to society than the high cost of books or entertainment. The contention that limited access to new information technologies will be economically and culturally destructive has already been validated from different perspectives in several ways. One way to think about this is to consider the advantages already obtained through the use of cyberspace, in home banking, financial services, education, health care, and even public service. Electronic technologies serve the elderly living at home and in institutions by way of technologically facilitated “visits” with families and friends, interactive television, audiotext, electronic mail, remote machine-assisted medical treatment and evaluation, and distance learning.

Another way to document disadvantage is to consider present services that will be discontinued or become far more expensive because of the newer forms of doing business. Certain government documents, for example, may not be published at all in paper form before long. They will be accessible only in cyberspace through private contractors. Checking accounts that return checks are in some states more expensive than accounts that make statements available on video displays. It has become difficult to deny that the presence or absence of access to cyberspace generates differences “in available resources, in facilities, in achievement, in health and safety, and in the pedagogy of the classrooms” (Senkevitch, 1994).

Furthermore, access appears to be related to learning and competence in educational settings. A project at Bell Communications Research asked a group of students to write an essay comparing three statistical concepts. Students who were using databases and other information available by computer access scored significantly higher than students who did not (Graumann, 1994). According to another study, students in poor school districts have even less access to computers and CD-ROMs and modems and receive less effective instruction than their counterparts in wealthier school districts (Graumann, 1994).

THE IMPACT OF COMPETITION AND PHILANTHROPY

If information exclusion is widespread and has negative consequences, it may nonetheless be greatly diminished by market forces. There are free market scenarios that would predict that the information gap between rich and poor will diminish. Through competition and assuming the compatibility of new technologies with older ones, the problem may be as self-correcting as was access to television in the late 1940s, when prices dropped swiftly and millions, including the poor, became part of a huge electronic community in a very short time. Or it may be in the financial interest of telecommunications vendors to distribute technology free or at very low cost to entice low-income consumers to generate recurring fees and a greater market share.
On the other hand, it is probable that many of the most important access routes will remain costly. Most notably, it will be necessary to upgrade residences with "broad band" cables to "pave the way for the information superhighway," and this is "an incredibly expensive undertaking" (Reilly, 1994). Because virtually all of the cost will be borne by the private sector, the chance is not good that impoverished or unprofitable areas will be adequately "paved" in the absence of some kind of order, subsidy, or regulatory incentive.

Apart from market correction, there is also a small chance that information exclusion is amenable to charitable amelioration. Several community organizations—churches and individuals in the Boston area, for example—have created computer learning centers, oriented toward teaching job and literacy skills, for the poor (Coleman, 1995). Perhaps it is also in the charitable spirit that large telecommunications enterprises have undertaken efforts to help poorer communities adjust to cyberspace. The Pacific Bell Company, for example, has promised to connect every public school and library in the state of California to the information superhighway at no cost to the public institutions (Graumann, 1994). Pacific Telesis and AT&T-McCaw have made commitments to community groups in California to ensure that the state’s minority, low-income, inner-city, and disabled populations are wired for efficient travel through cyberspace. Bell Atlantic and TCI are connecting 26,000 elementary and secondary schools to the Information Superhighway for free (Light, 1994). To many observers, however, including the reporters at Business Week, recent telecommunications industry charity "has the earmarks of clever PR meant to show they [providers] can deliver electronic altruism without government prodding [since] phone and cable companies worry about being burdened with universal service rules forcing them to subsidize Info Highway connections for low-income residents" (Light, 1994). The suggestion that market forces and/or philanthropic activity will be sufficient to open up cyberspace to the poor is an improbable but not an impossible proposition.

PRACTICAL LIFELINE SOLUTIONS

The gauntlet for those who advocate lifelines in cyberspace is considerable. After having demonstrated that the effects of exclusion are serious, permanent, and unlikely to be corrected without government intervention of some sort, lifeline proponents will need to generate solutions capable of effective implementation (Reinhardt, 1994). Doing so may pose the most difficult problem of all.

Various approaches have been suggested: state or federal subsidies to support public computer terminals in libraries and elsewhere; lower connection rates for low-income users funded by higher charges to other consumers or by general tax revenues; or even tax breaks for the purchase of laptops (Shapiro, 1995). Some writers argue that the types of support systems that work best seek to provide assistance to those particular companies or individuals that need it, rather than to general groups in the population. The FCC’s Universal Service Fund for telephone service, for example, allocates costs of serving disadvantaged consumers to particular local telephone companies that operate in distressed areas.

It is beyond the scope of this essay to examine the advantages and disadvantages of each proposal. Certain characteristics of approaches that are likely to be successful, however, have emerged:

- Merely providing the right of access to cyberspace at an affordable price will not solve the problems of information inequity. A legitimate lifeline will reach out to those potential users who do not appreciate the dimensions of information impoverishment. "If you are information poor, you don’t know what you don’t know" (Rose, 1994). One suggestion made for reaching those who are ignorant of cyberspace is to take a lesson from the PBS series Sesame Street, which was "designed to narrow the gap between the haves and the have-nots by raising the knowledge floor for at-risk children" (Rockman, 1995).
Successful lifeline proposals will not tie themselves exclusively to particular forms of technology. Engineers redesign technology much faster than regulators change regulations; it would be counter­productive to encourage obsolete applications. The Telecommunications Act that emerged from Washington does not dictate which appliance will become the basic tool for consumer access to information, entertainment, and market transactions during the coming decades. Neither should a lifeline proposal (Pettit and McGuire, 1993; Andrews, 1996).

Proposals that create financial incentives to encourage telecommunications providers to make the information network universally available (to construct “broadband” capacity in poor or remote areas, for example) should place the burden of subsidy upon a wide base—preferably funding from general revenues—and not necessarily on service providers or affluent users alone. In many circumstances there will not be a sensible criterion for taxing only the information industry or only other users of the information highway in order to support use of cyberspace by low-income consumers.

CONCLUSION
If the logical and empirical assumptions that are sketched above prove to support the lifeline concept, the best proposal may be for federal legislation to prevent the information gap from growing out of hand. Of course, beyond the difficulties presented here, political obstacles will arise to make the success of any such proposal problematic. There are those who will contest the objective need for any sort of help, by denying the moral claim that government has the communitarian obligation to throw any lifeline—even one “indispensable for the maintaining or protection of life.

NOTE

REFERENCES


