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**Biden Broadband Plan:
Claims That Broadband Is "Too Expensive" Are Unfounded**

by

Randolph J. May and Andrew Long *

This Perspectives is the third in an ongoing series highlighting flaws in the Biden Broadband Plan. The first, a post entitled "[Future Proofing! Subsidized Broadband Would Inflate Consumer Prices](#)," explained how limiting the availability of government subsidies to the construction of broadband infrastructure able to deliver excessive speeds completely divorced from what consumers actually demand necessarily would exert upward pressure on prices – and thus exacerbate the affordability concern. The second, "[Biden Broadband Plan: Misdirected Broadband Subsidies Hurt Competition and Consumers](#)," explained how allowing the use of government subsidies to overbuild the networks of existing commercial providers necessarily would undermine privately funded competition, the very engine responsible for today's near-universal deployment of broadband. And it would do this without producing any offsetting consumer benefits. This third paper refutes the claim that broadband is "too expensive."

I. Introduction and Summary

President Biden and other Biden Administration officials repeatedly claim that broadband service is "too expensive," and they did so again yesterday in advance of a hearing held before

the House Subcommittee on Communications and Technology. That claim is unsubstantiated and wrong. President Biden's American Jobs Plan includes \$100 billion for broadband (the Biden Broadband Plan), a massive tranche of taxpayer dollars, an [excessive amount](#) in light of the existence of numerous in-progress, multiyear government subsidy programs targeting those areas currently unserved. Perhaps the Biden Administration believes that claiming broadband is “too expensive” will somehow justify the excessive size of the plan. As this *Perspectives* demonstrates, it won't.

The enormous scope of the Biden Broadband Plan rests upon two foundational assumptions. The first is that all Americans should have access to high-speed Internet service. The changes to daily life wrought by the COVID-19 pandemic certainly underscore the importance of a broadband connection.

The second relates to affordability. This is where political rhetoric and practical reality diverge. Simply put, while not every household is able to find room in the monthly budget for broadband service, that unfortunate reality in no way substantiates the bald assertion by President Biden and other Biden Administration officials that broadband service is "too expensive." To the contrary, the facts irrefutably demonstrate that, across the vast majority of the country, competitive marketplace forces, fueled by [\\$80 billion in recent annual private investment](#) and [nearly \\$2 trillion in private investment overall](#), are having their hoped-for effects. As the body of this *Perspectives* demonstrates convincingly with an abundance of facts and figures, consumer choice is growing, prices are dropping, and quality, in particular with respect to speed, is improving. In other words, free market competition is working.

And yet some households that desire high-speed Internet access service cannot afford it, particularly as the COVID-19 public health crisis continues to exact a toll on the economy and jobs market. Constructing and operating communications networks require massive upfront capital investment and substantial ongoing costs. Even with economies of scale and scope, along with competition from rival offerings exerting downward pressure, optimally-defined market-driven prices may remain beyond the financial reach of some for at least some of the time.

We acknowledge that broadband connectivity can serve as an invaluable virtual lifeline – and that, as a matter of public policy, it is appropriate to take steps, especially during a pandemic, to assure that it is one from which all might benefit. We also note with approval the voluntary actions taken by private Internet service providers (ISPs) to meet the financial challenges faced by consumers in the shadow of COVID-19.

But again, the price of a good or service, viewed in isolation and without context, reveals nothing about its value or the overall costs incurred in its production. Nor does the mere fact that some are unable to afford to pay that price. Indeed, it is essential to emphasize the following economic truth: even a good or service whose price is set optimally by marketplace forces inevitably may fall beyond the financial reach of some. Policymakers may choose to provide subsidies to help those consumers afford that good or service, and in fact have done just that with respect to broadband during the COVID-19 pandemic. But in no way does the decision to do so require – or, more importantly, render – the price "too expensive."

Indeed, the evidence presented below compels the opposite conclusion: competitive marketplace forces are working to produce optimal pricing for broadband service, despite the fact that the prices, in conjunction with the lingering economic difficulties caused by the novel coronavirus, create a situation where broadband for some is unaffordable absent subsidies.

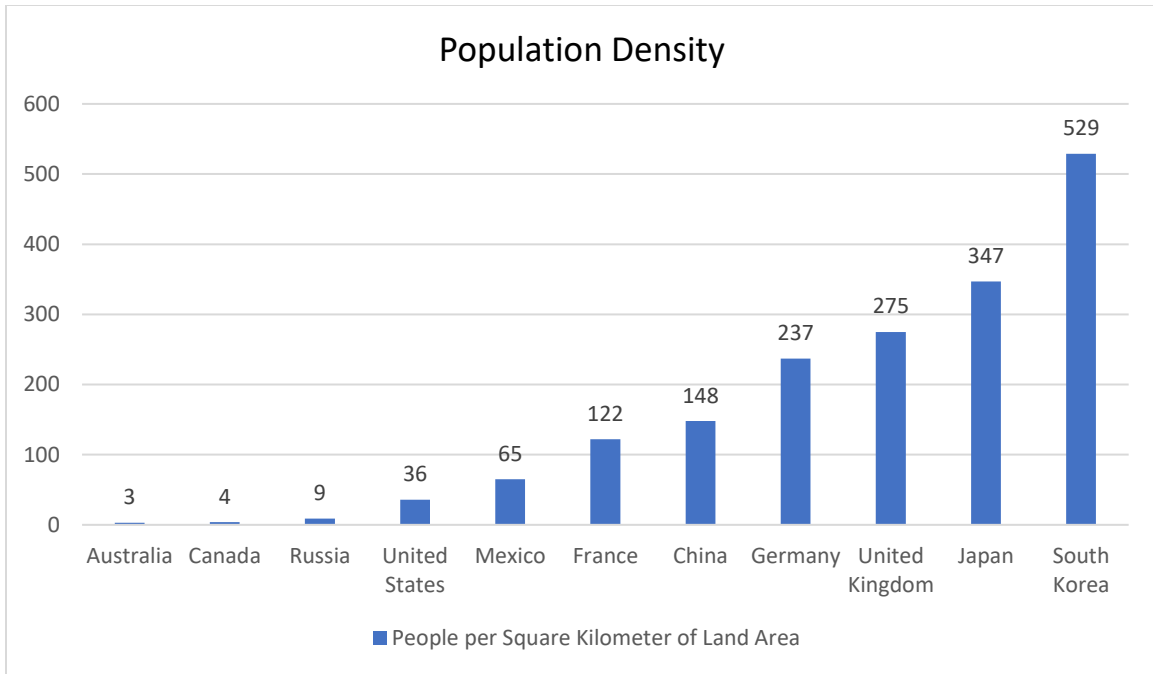
II. Effective Broadband Competition Assures Optimal Pricing

As noted at the outset, we have critiqued in recent pieces the failure of the Biden Broadband Plan to limit subsidies to the construction of fiscally responsible, demand-responsive network infrastructure in truly unserved areas. In this *Perspectives*, we confront head-on the Biden Broadband Plan's unsupported, incorrect foundational claim that broadband service is "too expensive."

The American Jobs Plan [Fact Sheet](#) released by the White House on March 31, 2021, asserts that "Americans pay too much for the Internet." In a [speech](#) that same day, President Biden repeated the exact same claim. And [fifty separate state-specific Fact Sheets](#) made available on April 12, 2021, all include the following sentence: "Even where infrastructure is available, broadband *may be* too expensive to be within reach" (emphasis added). That is the case whether the state in question is [Delaware](#), which the FCC's [Fourteenth Broadband Deployment Report](#), released in January of this year, indicates has the highest adoption rate of 25/3 Mbps broadband – 90 percent – or [Mississippi](#), which has the lowest: 40 percent.

In fact, the materials provided by the Biden Administration in support of its massive broadband proposal include only one [evidentiary reference](#), apparently to a limited data collection conducted by the Organisation for Economic Co-operation and Development (OECD) in [2017](#): "[T]he United States has some of the highest broadband prices among OECD countries." Price comparisons among countries, however, are fraught with problems due to often dramatically different business and technological marketplace environments.

Population density, in particular, can vary widely, as illustrated by the chart below:



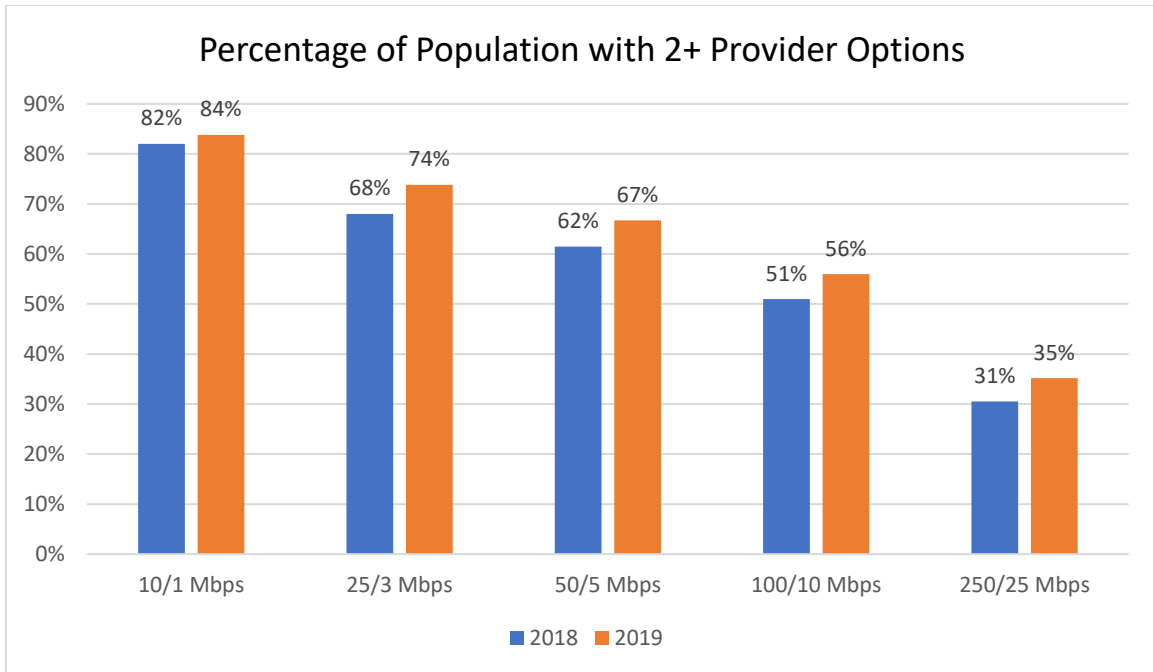
Source [The World Bank](#).

Even the New America Foundation's Open Technology Institute, an entity that nevertheless frequently engages in such apples vs. oranges evaluations, [concedes](#) that "standardizing costs and speeds while also factoring in differences in population density reveals that U.S. providers on average advertise similar prices for similar speeds as European providers."

Fortunately, we are able to consider instead much more reliable, and marketplace-specific, evidence. Specifically, data revealing trends over time in the United States regarding competitive options, pricing levels, and quality.

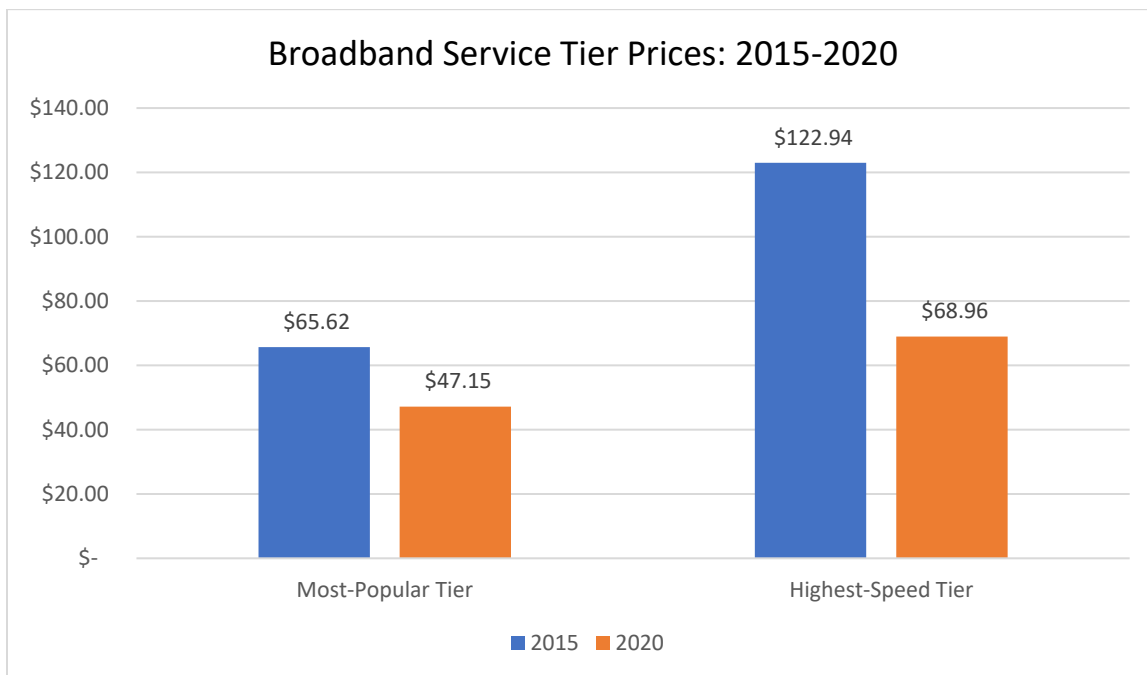
In brief, available evidence demonstrates that broadband competition is providing consumers with expanding choices, driving down prices, and improving speeds and other features. These are the hallmarks of a marketplace that is operating efficiently.

Consumer Choice. As illustrated below, data from the FCC's [2020 Communications Marketplace Report](#) reveal that the percentage of consumers with a choice in ISPs is not only high, but also increased significantly within just twelve months, from year-end 2018 to year-end 2019:

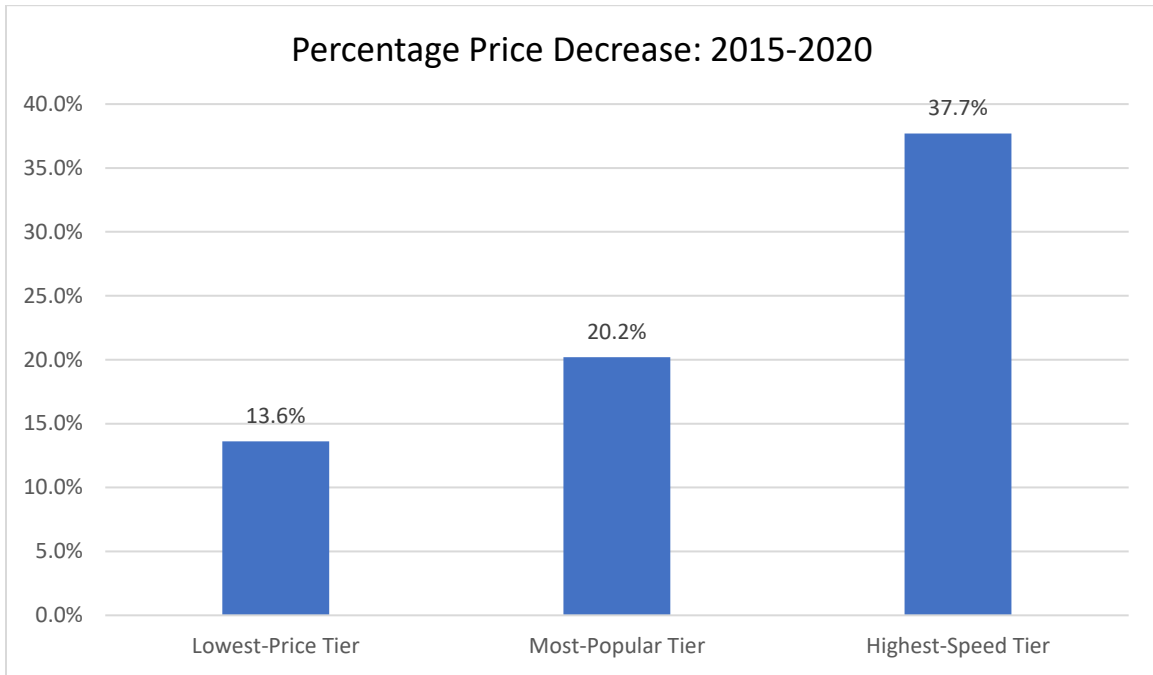


[According to USTelecom | The Broadband Association](#), "Four times as many homes have access to 2+ service providers in 2019 than in 2015, and 16 times more homes have access to 3+ providers than in 2015."

Prices. With regard to prices, USTelecom's [2020 Broadband Pricing Index](#) reveals that prices for both the most popular service tiers and the highest-speed service tiers decreased between 2015 and 2020, as the chart below shows:



More recently, USTelecom [made available](#) similar data showing price declines for the least-expensive tiers, as well. The following chart depicts the percentage by which all three tiers have decreased in price:

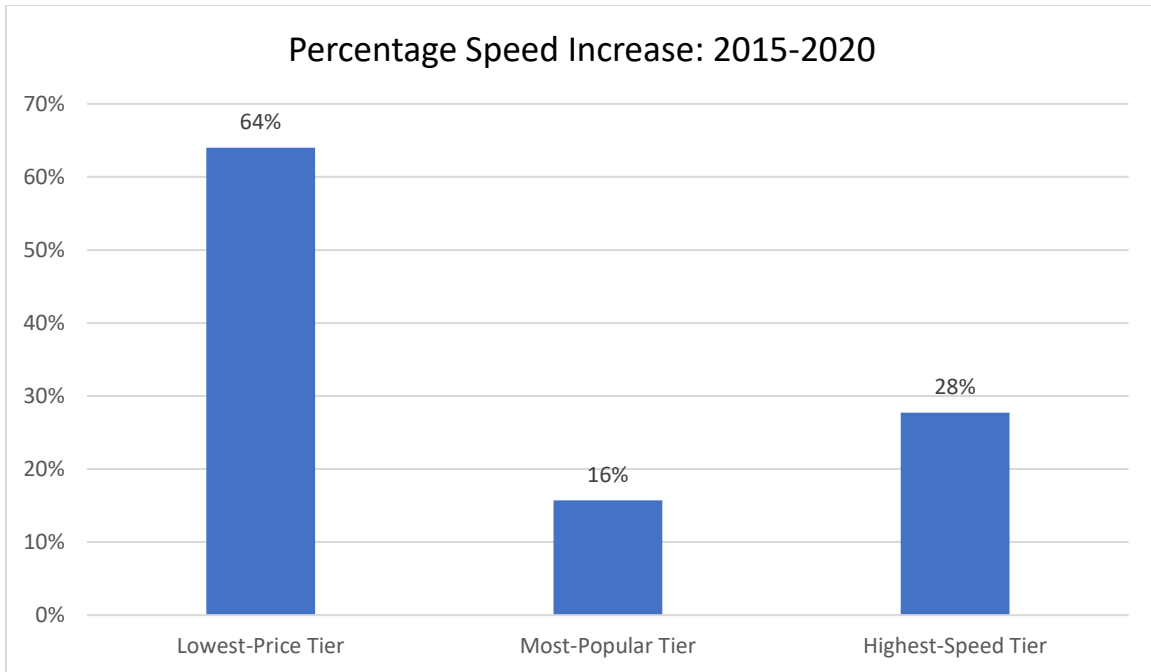


Note: These values do not account for inflation (9.3 percent overall for consumer goods and services between 2015 and 2020).

[According to NCTA – The Internet & Television Association](#), the monthly quality-adjusted cable broadband price decreased 26 percent between 2015 and 2020, from \$62 to \$46. And the price per megabit of data was 98 percent lower in 2020 than twenty years prior, dropping from \$18.13 to \$0.64.

[CTIA](#), meanwhile, reports that, since 2010, the price of an unlimited wireless data plan has dropped by 43 percent and the price per megabit of mobile data has dropped by 98 percent. A useful compendium of data rebutting claims that broadband in America is “too expensive,” especially refuting the untethered claim that broadband here is more expensive than in Europe, may be found in Roslyn Layton’s latest piece in *Forbes*, “[Fact-Check Biden and Harris on Broadband Affordability](#).”

Speeds. Finally, at the same time prices have declined, speeds have increased substantially. [According to CTIA](#), mobile data speeds are 31 times faster today than they were in 2010. [NCTA](#) reports that average cable download speeds increased 38 percent in only twelve months, from 133 Mbps in March 2020 to 183 Mbps a year later. And the following chart depicts USTelecom statistics regarding speed increases between 2015 and 2020 for the [lowest-price](#), [most-popular](#), and [highest-speed](#) tiers:



III. The Private and Public Sectors Have Responded Commendably to the Pandemic

COVID-19 not only has underscored the importance of high-speed Internet access. It also has made it more difficult for many households to make room for it in their monthly budgets. And so while the above data demonstrates that the affordability of broadband services is increasing at a rapid pace, the negative economic consequences of the pandemic have cut the other way, constraining the ability of some Americans to cover basic household expenses.

United States Census Bureau [Household Pulse Survey](#) data indicates that, as recently as the end of [March 2021](#), 25 million Americans found it "very difficult" to cover household bills and 42 million found it "somewhat difficult." A nearly equal number – 60 million – found it "a little difficult" to make ends meet.

These financial hardships in large part are the consequence of a dramatic increase in unemployment caused by many businesses temporarily or permanently closing their doors during the pandemic. According to a [January 2021 report](#) by the Congressional Research Service, "[t]he unemployment rate peaked at an unprecedented level, not seen since data collection started in 1948, in April 2020 (14.8%) before declining to a still-elevated level in December (6.7%)." The Department of Labor's Bureau of Labor Statistics [reported](#) that the unemployment rate was 6.0 percent in March 2021, "2.5 percentage points higher than its pre-pandemic level in February 2020."

Private ISPs [have responded admirably and voluntarily](#) in order to mitigate this difficult situation. At the onset of the pandemic, hundreds accepted FCC Chairman Ajit Pai's challenge to [Keep Americans Connected](#). Many [went above and beyond](#) at that time and [continue](#) to [do so](#). Congress likewise took action, including by [establishing](#) a \$3.2 Emergency Broadband Connectivity Fund to provide eligible households with a temporary \$50 monthly discount on

their bills. The FCC [recently announced](#) that consumers can begin enrolling in its [Emergency Broadband Benefit Program](#) (EBBP) on May 12, 2021.

Going forward, the EBBP could serve as a model for some form of properly structured congressionally-funded approach to this societal concern, a point made in a recent [Perspectives](#) and in [letters](#) sent last month to [President Biden](#) and [congressional leaders](#) by a coalition of 40 groups, including a number of ISPs.

IV. Conclusion

In countless ways, the impact of the COVID-19 pandemic has been nothing less than profound. Businesses closed their doors, and millions lost their jobs. Fortunate are those – including the authors of this piece – who have been able to work remotely. A high-speed Internet connection likewise has played an important mitigating role in other facets of daily life, including by enabling distance learning, telehealth, access to entertainment, and social interaction. Put simply, the utility and ubiquity of broadband has eased the suffering of the millions who have it.

The Biden Broadband Plan, to its credit, recognizes that, as a matter of public policy, we as a nation aspire to ensure that those who want a broadband connection are able to obtain one – and not just for the duration of the current public health crisis. As a matter of economics, however, just because a good or service is beyond the financial reach of some for some period of time doesn't mean that it is not priced efficiently. Do consumers have options? Are prices decreasing over time? Are rivals competing on bases other than price, such as features and service quality? These are appropriate measures of a well-functioning marketplace.

As set forth above, there exists ample evidence that the U.S. broadband marketplace, in most places, now embodies these hallmarks of effective competition. Consumers are able to choose between an increasing number of options, prices continue to trend downward, and speeds steadily improve. These characteristics demonstrate that economic forces are operating efficiently to set prices at optimal market-driven levels. The fact that not all Americans who want to subscribe to broadband can afford to do so at any point in time does not alter that conclusion. Instead, it should direct policymakers to consider what steps are appropriate to subsidize high-speed Internet access for those persons who demonstrate they need economic assistance.

* Randolph May is President and Andrew Long is a Senior Fellow of the Free State Foundation, a free market-oriented think tank in Rockville, MD.

Further Readings

Randolph J. May and Andrew Long, "[Biden Broadband Plan: Misdirected Broadband Subsidies Hurt Competition and Consumers](#)," *Perspectives from FSF Scholars*, Vol. 16, No. 21 (April 28, 2021).

Seth L. Cooper, "[Video of FSF Experts Discussing Communications Policy Hot Topics](#)," *FSF Blog* (April 27, 2021).

Seth L. Cooper, "[AT&T Will Invest \\$2 Billion to Reach Low-Income and Rural Americans with Broadband](#)," *FSF Blog* (April 14, 2021).

Andrew Long, "['Future Proofing' Subsidized Broadband Would Inflate Consumer Prices](#)," *FSF Blog* (April 13, 2021).

Seth L. Cooper, "[Comcast Will Invest \\$1 Billion to Connect Low-Income Americans with its Internet Essentials Program](#)," *FSF Blog* (March 24, 2021).

Andrew Long, "[The Emergency Broadband Benefit: A Possible Model for Future Lifeline Funding](#)," *Perspectives from FSF Scholars*, Vol. 16, No. 6 (February 5, 2021).

Andrew Long, "[ISPs, FCC Rise to COVID-19 Challenge: Congress Can, Too](#)," *Perspectives from FSF Scholars*, Vol. 15, No. 24 (May 13, 2020).