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Evidence of Falling Broadband Prices Grows Despite Overall Spike in Inflation

by

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As consumers increasingly [worry](#) about the rising cost of many goods and services, and reports indicate that [inflation is outpacing wage growth](#), data recently released by USTelecom confirms that high-speed Internet access service continues to buck the upward pricing trend. Congress, working to achieve consensus on [legislative language](#) implementing the [bipartisan infrastructure deal](#), must take into account the significant beneficial impact of robust competition in the broadband marketplace – steadily and consistently falling consumer prices.

In "[Biden Broadband Plan: Claims That Broadband Is 'Too Expensive' Are Unfounded](#)," a May 2021 *Perspectives from FSF Scholars* and one of an ongoing series of papers critiquing the Biden Broadband Plan, Free State Foundation President Randolph May and I presented hard data to demonstrate convincingly that, hyperbolic rhetoric aside, consumers benefit significantly from the efficiently competitive broadband marketplace. Prices are decreasing, speeds are increasing, and options are expanding.

Nevertheless, the Biden Administration continues to disparage the vitality and value of broadband competition. For example, in the President's July 9, 2021, [Executive Order on](#)

[Promoting Competition in the American Economy](#), he once again made the bald assertion that "Americans ... pay too much for broadband."

Responding in a [blog post](#), USTelecom President & CEO Jonathan Spalter called out the critical importance of both "context and facts" to the policy debate over how best to close remaining digital divides.

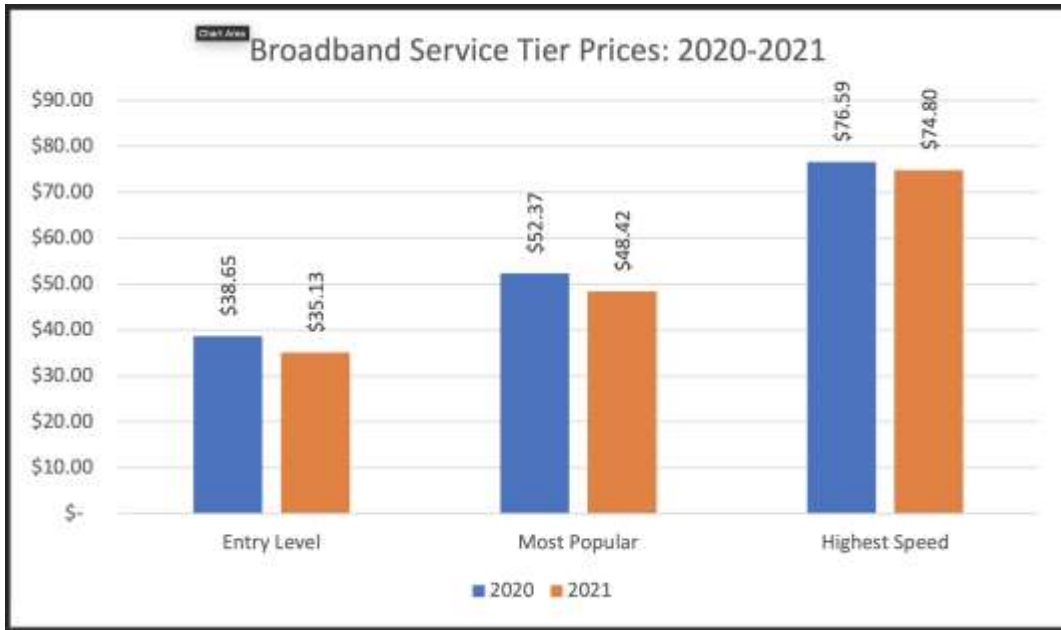
On one point, at least, we all ought to be able to agree: COVID-19 conclusively demonstrated the importance of broadband access. Indeed, I personally find it difficult to imagine the past 18 months without my high-speed lifeline.

Consistent with Mr. Spalter's admonition, however, it is essential that we keep a number of relevant data points in front of mind regarding the pandemic experience as we consider policies regarding how best to move forward:

- Internet service providers (ISPs) consistently spend roughly [\\$80 billion annually](#) on broadband infrastructure, now totaling [nearly \\$2 trillion overall](#);
- Online traffic grew by [between 40 and 60 percent](#) as Americans spent more time at home due to the public health emergency caused by COVID-19;
- ISPs responded by rapidly building out additional capacity in order to stay ahead of that demand and, in doing so, [far outperformed ISPs in countries that have embraced a public-utility regulatory model](#);
- At the same time, ISPs undertook costly [voluntary measures](#), including [but not limited to](#) opening up their Wi-Fi public hot spots, keeping service on for those unable to pay, and waiving late fees, consistent with the FCC's [Keep Americans Connected](#) pledge; and
- All the while, broadband prices, at every service level, continued their steady downward trend.

This last point is even more remarkable when you consider that prices for other in-demand consumer products and services generally increased during this same time period.

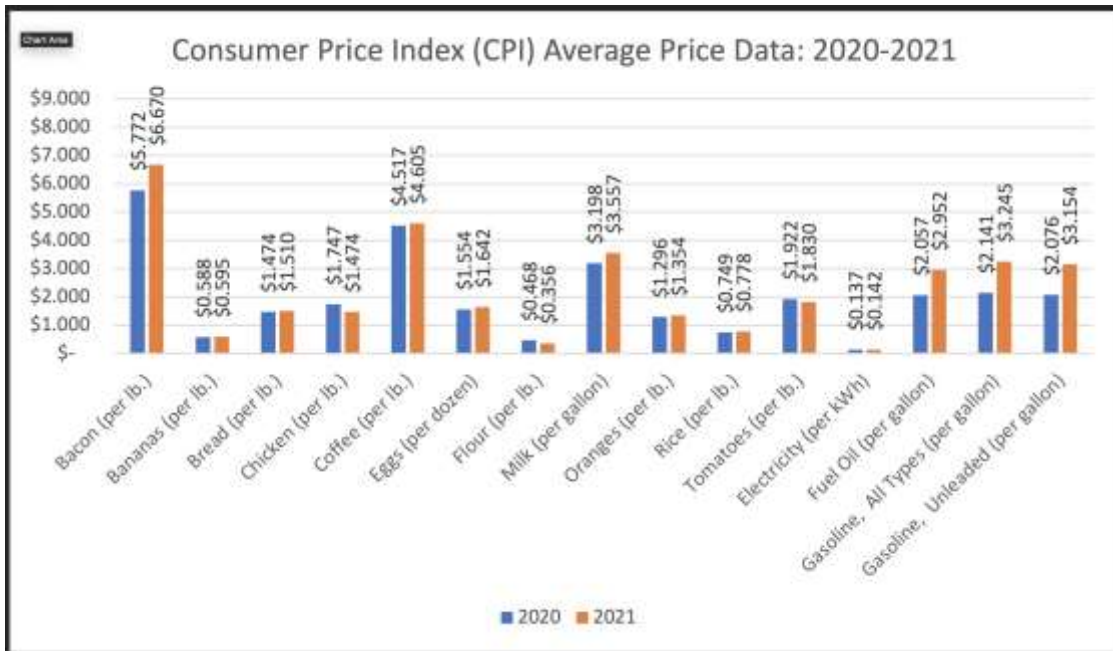
The chart below, based upon USTelecom data, shows how broadband service prices fell between 2020 and 2021 across the board – that is, for entry level tiers, the most popular tiers, and the highest speed tiers:



Sources: USTelecom, "[Entry-Level Broadband Pricing Dropped in 2021](#)"; USTelecom, "[2021 Broadband Pricing Index](#)."

Prices for entry level tiers dropped by 9.1 percent (10.8 percent when adjusted for inflation), for the most popular tiers by 7.5 percent (9.3 percent when adjusted for inflation), and for the highest speed tiers by 2.3 percent (4.2 percent when adjusted for inflation).

By contrast, and according to the U.S. Bureau of Labor Statistics, the price of other high-demand consumer goods over the past year either rose or remained the same, as illustrated below:



Source: U.S. Bureau of Labor Statistics, Consumer Price Index (CPI) [Average Price Data](#) (June 2020 and June 2021).

The following table details the percentage by which prices for these broadband tiers and consumer goods changed from 2020 to 2021:

GOOD OR SERVICE	2020 PRICE	2021 PRICE	PERCENTAGE CHANGE
Entry Level Broadband Tiers	\$38.65	\$35.13	-9.1%
Most Popular Broadband Tiers	\$52.37	\$48.42	-7.5%
Highest Speed Broadband Tiers	\$76.59	\$74.80	-2.3%
Bacon (per lb.)	\$5.772	\$6.670	15.6%
Bananas (per lb.)	\$0.588	\$0.595	1.2%
Bread (per lb.)	\$1.474	\$1.510	2.4%
Chicken (per lb.)	\$1.747	\$1.474	-15.6%
Coffee (per lb.)	\$4.517	\$4.605	1.9%
Eggs (per dozen)	\$1.554	\$1.642	5.7%
Flour (per lb.)	\$0.468	\$0.356	-23.9%
Milk (per gallon)	\$3.198	\$3.557	11.2%
Oranges (per lb.)	\$1.296	\$1.354	4.5%
Rice (per lb.)	\$0.749	\$0.778	3.9%
Tomatoes (per lb.)	\$1.922	\$1.830	-4.8%
Electricity (per kWh)	\$0.137	\$0.142	3.6%
Fuel Oil (per gallon)	\$2.057	\$2.952	43.5%
Gasoline, All Types (per gallon)	\$2.141	\$3.245	51.6%
Gasoline, Unleaded (per gallon)	\$2.076	\$3.154	51.9%

Whereas broadband tier prices have fallen between 2 and 9 percent, prices for the vast majority of goods tracked by the CPI have risen – some by as much as 44 (fuel oil) and 52 percent (gasoline), and on average by over 7 percent.

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Over the past year, increased demand for broadband has necessitated higher capital investment in infrastructure to expand available capacity. Voluntarily taken actions to mitigate the impact of the pandemic have imposed additional costs and resulted in foregone revenue. And, at the same time, the prices for other in-demand consumer products generally have risen. This is the "context." Falling broadband prices, across the board, are the "facts." Accordingly, it simply is not possible for the Biden Administration to back up with credible economic evidence its provocative and oft-repeated assertion that "[Americans pay too much for the Internet.](#)"

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Perspectives do not necessarily reflect the views of others on the staff of the Free State Foundation or those affiliated with it.

Further Readings

Seth L. Cooper, "[The Biden Executive Order's Regulatory Proposals: Broadband Consumers and Competition Would Be Harmed](#)," *Perspectives from FSF Scholars*, Vol. 16, No. 41 (August 4, 2021).

Seth L. Cooper, "[Say No to the Biden Broadband Plan for Government Subsidies and Price Controls](#)," *Perspectives from FSF Scholars*, Vol. 16, No. 38 (July 27, 2021).

Andrew Long, "[The BRIDGE Act: The Wrong Way Forward on Broadband Policy](#)," *Perspectives from FSF Scholars*, Vol. 16, No. 35 (July 13, 2021).

Randolph J. May and Andrew Long, "[Biden Broadband Plan: 'Future Proofing' Is Likely Fool's Proofing](#)," *Perspectives from FSF Scholars*, Vol. 16, No. 32 (June 24, 2021).

Randolph J. May, "[MEDIA ADVISORY: A BRIDGE Act Too Far](#)," *FSF Blog* (June 16, 2021).

Randolph J. May and Andrew Long, "[Biden Broadband Plan: Transparency and Accuracy Required for Sound Policy](#)," *Perspectives from FSF Scholars*, Vol. 16, No. 27 (June 2, 2021).

Andrew Long, "[Latest US Telecom Broadband Pricing Report Shows Continued Decline in Costs, Increase in Speeds](#)," *FSF Blog* (May 27, 2021).

Andrew Long, "[Latest FSF Critique of Biden Broadband Plan Disproves Claim That Service is 'Too Expensive'](#)," *FSF Blog* (May 7, 2021).

Randolph J. May and Andrew Long, "[Biden Broadband Plan: Claims That Broadband Is 'Too Expensive' Are Unfounded](#)," *Perspectives from FSF Scholars*, Vol. 16, No. 23 (May 7, 2021).

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).

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