Anticorporate Broadband Populists’ Real Agenda: Destroy the Current Private-Sector System

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Broadband populists have engaged in an aggressive campaign to disparage the performance of the U.S. broadband system, which is driven by intermodal competition between large ISPs, in order to build a case for government-owned and operated networks.

KEY TAKEAWAYS

- Animated by hostility toward corporations and a belief that broadband should be a public utility, populists seek to overthrow the current system and replace it with one in which government provides broadband or tightly regulates it.

- Their campaign strategy is to convince policymakers and the public that U.S. broadband is a failure so they can build support for policies to weaken corporate providers and strengthen non-corporate alternatives, including government-run networks.

- They allege broadband is too slow, coverage is too limited, service is too expensive, and providers are too profitable. But data shows these claims are wrong, vastly exaggerated, or irrelevant to the real issues policymakers should address.

- Policymakers should not be taken in by this radical campaign. To be sure, there are areas that need improvement, but abandoning the current structure of private, intermodal competition will reduce, not improve, U.S. broadband performance.

- Policymakers, the media, and the public need to understand the true motivation for populists’ relentless attacks on the performance of the U.S. broadband system.
INTRODUCTION

When establishing a new system, it is easier if you can first tear down the existing one. This could very well be the motto for the populists and radical activists who reject the current U.S. broadband system, in which most broadband services are provided by large, technologically sophisticated, for-profit corporations. These broadband populists and radicals harbor an overarching animus toward the capitalist system and large corporations in general—and they believe that broadband, much like roads and sewers, is inherently a public utility—so they seek to overthrow the current system and replace it with one in which broadband is either provided by government or, if that is not possible, then operated as a tightly regulated utility.

The anticorporate broadband populists (and radicals) know that calling for the replacement of large Internet service providers (ISPs) with smaller community-based and municipal providers is likely a losing strategy. As much as broadband consumers may complain about their service person coming late, they still like the broadband they receive and are generally suspicious of government expanding into traditional private sector functions, seeing it as an attack on traditional American values.1

As such, broadband populists understand that a more effective strategy is to burrow into the foundations, gradually chipping away at the credibility of the industry (which they derisively label “Big Broadband”), and advancing endless claims about poor performance, including that U.S. corporate-provided broadband speeds are too slow, coverage and privacy protection are too limited, prices and profits are too high, and the “pipes” are not neutral. And to justify their claim that even the smallest municipality can easily provide top-notch broadband, they assert that broadband consists of “dumb pipes” (much like electric or gas lines) through which any organization, no matter how small or technologically unsophisticated, can easily do the job.

Just as most populists reject the private provision of many goods and services, broadband populists and radicals reject the notion that broadband should be provided by private enterprise, especially large cable or telco companies.

The populists and radicals know that if a large enough number of civil society organizations and advocates endlessly repeat these claims the media, the public, and ultimately elected officials will come around to the belief that the current private-sector-provided broadband system is fundamentally and structurally flawed, with the only solution being radical restructuring. Government officials, they hope, would then adopt policies that not only hamstring large ISPs (e.g., by regulating broadband as telephone services), but actively support other alternative providers, especially small and municipal-owned co-ops.

That has indeed been the strategy of broadband populists for at least the last 15 years. Just as most populists reject the private provision of many goods and services, broadband populists and radicals reject the notion that broadband should be provided by private enterprise, especially large cable or telco companies. But most Americans are not ideological. They just want what works. And as long as broadband service providers provide them what they want at an okay price, they are not going to support radical change.
Knowing that, anticorporate broadband advocates and activists engage in a systematic campaign of making exaggerated and misleading assertions about the supposed poor performance of the U.S. system. They know that if they can make it look like private provisioning of broadband leads to substandard results, the case for government-owned networks will gain adherents.

But neither the public nor policymakers should be taken in by this radical campaign. To be sure, there are areas of the U.S. broadband system that need improvement, especially government support for low-income consumers and provisioning in high-cost areas (something the 2021 infrastructure package will go a long way toward addressing). But abandoning the private, intermodal competitive structure (something that is only getting more competitive with 5G wireless and new low-Earth orbit broadband satellites) will reduce rather than improve U.S. broadband performance.

This report discusses the goals of broadband radicals and populists. It then examines and rebuts the major critiques they make, including slow broadband speeds, high prices, uneven broadband deployment, limited competition, weak privacy, and non-neutral Internet services. To be clear, none of this is to claim that the U.S. broadband system is perfect or that reforms are not needed (for instance, Congress should pass net neutrality legislation). Rather, policymakers, the media, and the public should understand the true motivation behind the relentless attacks on the performance of the U.S. broadband system.

THE RADICAL AND POPULIST BROADBAND ENDGAME

It is annoying, to say the least, when conservatives label any left-of-center proposal as “socialist.” But that doesn’t mean some proposals are not in fact, socialist. This is true when it comes to much of what broadband populists and radicals want. Case in point is the magazine *Jacobin*, which is “a leading voice of the American left, offering socialist perspectives on politics, economics, and culture.”² For example, one of its recent article states:

> A portion of the internet is devoted to shuttling packets of data from one place to another. It consists of a lot of physical stuff: fiber optic cables, switches, routers, internet exchange points, and so on. It also consists of firms large and small (mostly large) who manage all this stuff, from the broadband providers that sell you your home internet service to the ‘backbone’ providers who handle the internet’s deeper plumbing. This entire system is a good candidate for public ownership.³

The article goes on to claim that “the goal of a left tech policy should be to strike at the root of private power by transforming how our digital infrastructures are owned.”⁴ Robert McChesney, a self-described socialist, and founder of the advocacy organization Free Press, wrote in the socialist journal *Monthly Review*, “President Barack Obama said that if the United States were starting from scratch, it would obviously make more sense (from a public welfare standpoint) to have a publicly run health care system, and no private health insurance industry. The same overall logic applies to broadband Internet access, in spades.”⁵

Also writing in the *Monthly Review*, David Rosen argued:

> Resisting this process, some nine hundred community broadband services and local initiatives offer an alternative way to recombine broadband from a “luxury” to a “necessity.” Community broadband services—both “municipal” and “cooperative”
services—seek to do more than make a profit, they provide an essential resource like electricity and telecom. In this way, broadband needs to be protected and affordable if not free. It is time for community networks to supersede the telecom cartel.\textsuperscript{5}

It’s not only avowed socialists that embrace broadband socialism. OpenDemocracy is an independent global media organization” that supports “broadband communism.”\textsuperscript{7} An article in The Nation states, “If internet access is to be treated as a basic right and regulated as a public utility, the public sector will need to build and manage the infrastructure.”\textsuperscript{8} Likewise, Mark Sullivan wrote in PC World that “when it comes to broadband, I’m a socialist.”\textsuperscript{9} He goes on to call for nationwide, government-owned broadband networks. The populist organization, Institute for Local Government, advocates for the idea as well.\textsuperscript{10} As does broadband populist Susan Crawford, who averred that “Public goods like electricity ... must be overseen by the public (and funded by the public) if they are to remain publicly useful ... Why have Americans stopped applying this thinking to communications?”\textsuperscript{11}

Crawford neglected to point out that 72 percent of U.S. customers obtain their electricity from investor-owned utilities.\textsuperscript{12} She went on to state that “this publicly supervised infrastructure should be made available to everyone and provided on a wholesale basis to last-mile compatriots in order to keep speeds high and prices low.”\textsuperscript{13} For Crawford and other anti-investor-owned broadband critics, the “public provision of high-speed Internet [is] a vital role of the public sector.”\textsuperscript{14}

This all harkens back to the populists of the 1890s who called for the nationalization of the emerging communications networks of their day: the railway and telegraph. (See figure 1.)

\textbf{Figure 1: Populist Party poster calling for nationalization of the railroads and telegraph}

And while other populist advocacy organizations may not openly call for the overthrow of the current system, they nevertheless use code words for that agenda. For example, the advocacy
group Public Knowledge advocates for more competition, by which they mean more funding for municipal broadband. The group then justifies this proposal by engaging in a number of critiques.

THE CRITIQUE TO WEAKEN SUPPORT FOR THE CURRENT U.S. BROADBAND SYSTEM

Most Americans are essentially conservative—not in the sense of being Republicans, but rather in not supporting fundamental societal change unless there are specific problems facing the nation. This is why broadband populists and radicals have engaged in a nonstop campaign to convince policymakers and the public that the current corporate-provided U.S. broadband system is fundamentally terrible in order to gain support for policies that would weaken current providers and strengthen noncorporate alternatives. They hope to convince enough Americans that Big Broadband only serves the interests of shareholders and top managers (i.e., “broadband barons”). To advance this agenda, they make a number of criticisms.

Claim 1: Speeds Are Too Slow

A core claim populists and radicals make is that U.S. broadband networks are too slow, and if only government built the networks, they’d be much faster. Typical of these claims is the statement from Thomas Hanna of the Democracy Collaborative that “Internet in the United States is far slower and more expensive than most other advanced countries. According to recent estimates, the United States may be as low as 15th in the world when it comes to average speeds; and 56th when it comes to cost per Mbps.”

If populists can convince enough Americans and policymakers that the current corporate-provided broadband system stinks, they hope to gain support for policies that will weaken current providers and strengthen noncorporate alternatives.

In reality, average U.S. broadband speeds have increased 40 percent per year over the last decade, and while average U.S. speeds are not the fastest in the world (an especially hard feat given many other nations’ greater population densities make faster speeds easier), most other nations’ speeds are only slightly faster. According to Speedtest.net, the median fixed broadband speed in the United States in 2020 was 131 Megabits per second (Mbps), ranking the United States 6th, ahead of even South Korea, which populist Susan Crawford praises as the model to emulate.

Another other way to convince the masses that the current investor-owned broadband system is a failure is to set the performance bar higher than what most private companies would be able to achieve—the reason for which is it would be too costly, and none of their customers actually want or need it. This is what’s behind Crawford insisting that “most Americans should have access to reasonably priced 1 Gb symmetric, fiber to the home networks.” She essentially sets the bar at a 1 gigabit, symmetrical network (upload and download speeds are the same) using fiber optics, meaning one that uses coax cable would not meet the standard.

Why do we need these speeds? According to Crawford, it is so we can download movies in only 12 seconds. But almost no one downloads movies; we stream them, and for that we only need about 5 Mbps, less than 1 percent of the speeds of the supposedly critical 1 gig network. Per the Federal Communications Commission (FCC), even downloading a 4K video stream requires only a
Crawford also believes that if we all had a 1 gig network, real-time video conferencing would be routine. But as COVID-19 has shown, video conferencing already is routine with the networks Big Broadband is providing (something the FCC says requires a network with only a 1 to 6 Mbps connection).

This setting the bar fantastically high is why broadband populists and radicals laud the federally funded broadband network operated by the city of Chattanooga, Tennessee:

The first network in the country to offer one gigabit-per-second (Gbps) data speeds across its entire service area, which now top out at a mind-bending ten Gbps. (At ten Gbps, you can download a two-hour movie in about three seconds.) These speeds are even more impressive because they are symmetrical, which means downloading is as fast as uploading.

This is akin to saying that Chattanooga used federal funds to build a freeway on which cars can travel 1,000 miles an hour. No cars can go that fast, so what’s the matter with using private roads that only let you travel at 70 mph? Of course, if you can’t build a good network when the feds provide an enormous subsidy of $1,387 per household, something is wrong. But more to the point, virtually no broadband user needs a gigabit network, let alone a symmetrical one. Today’s networks are optimized for current usage patterns, which are mostly asymmetrical. While people commonly stream high-definition movies, they rarely upload one—and those that do are likely engaging in digital piracy using peer-to-peer applications.

**Claim 2: Rural Coverage Is Too Limited**

A constant complaint about broadband corporations is that they don’t serve the entire nation. As Susan Crawford wrote, “These corporations have little incentive to invest in improving Internet networks in sparsely populated or low-income areas.” This is undoubtedly true, as they would lose money because revenues in rural areas are less while costs are higher. But for that matter, cities, counties, and states also have little incentive to build their own networks in high-cost rural areas for the same reasons. That’s why municipal broadband providers “cherry pick” only the most profitable areas to serve.

The answer to the rural divide is not to destroy the private sector model; it’s to foster the development of technologies such as low-Earth-orbit satellites and, as the 2021 infrastructure package does, provide subsidies for private sector carriers to build out in these high-cost places.

**Claim 3: Urban Coverage Suffers From Digital Redlining**

Antibusiness broadband critics know that the more they can inflame passions, the easier it is to win the war. And clearly one of the most emotionally laden issues in America is race, which is why the populists play the race card. An article in *The Nation* states, “In other parts of the country, the ‘digital divide’—a structural gap between those who have ready access to the internet and those who do not—is fueled in part by a practice known as ‘digital redlining,’ where internet service providers (ISPs) refuse to invest in low-income areas because of their poor capital returns.”

Free Press dials the outrage even higher by asserting there is “systemic racial discrimination” in wired broadband deployment. But given that the broadband barons are supposedly only
interested in maximizing profits, it is beyond belief that these same barons would leave profits on the table by not serving profitable minority customers only to indulge some secret racism.

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The reality is that there is no digital redlining based on race. To be sure, some low-income neighborhoods have seen less broadband investment, but not because of race, but rather because of income. Carriers know that if too many customers in a particular area are low-income, in the absence of an effective subsidy, adoption rates will be low and their investments will lose money. As the Information Technology and Innovation Foundation (ITIF) has shown, the same holds true with many municipal government broadband providers that favor wealthier neighborhoods.27 Again, the solution to this challenge is not to switch to municipal broadband; it is to provide support for carriers to invest in money-losing areas.

Claim 4: Corporate ISPs Don’t Protect Users’ Privacy

Realizing that privacy has become an emotional hot-button issue for the public and policymakers alike, broadband populists and radicals claim that large broadband providers violate their users’ privacy. As New America’s Open Technology Initiative wrote, “We applaud the FTC’s 6(b) investigation of the broadband market. Today’s report confirms our longstanding concerns about the monetization of ISP customer data and the misguided repeal of broadband privacy rules four years ago.”28

If only broadband were provided by local co-ops and governments, consumers’ data would be safe, they tell us. In fact, they fail to provide evidence of any real harm caused by ISP data collection. In addition, surveys show that consumers trust ISPs to protect their privacy more than government regulation would.29 Moreover, as ITIF has shown, all the major ISPs provide consumers with meaningful control over their data.30 Furthermore, in today’s world of ubiquitous encryption, ISPs have precious little specific data about their customers compared with the mountains of data the latter share with edge providers with every click.

Claim 5: Big Broadband Wants Nonneutral Pipes

One of the fears broadband populists have stoked for over a decade is the bogey man of net neutrality. In this narrative, the only thing keeping Big Broadband from turning the Internet into cable TV—with the ISPs telling you what websites you can and cannot access—is the heavy hand of government, in this case regulating broadband as telephony under the FCC’s Title II authority. After all, if Stephen Colbert tells us that this is true, it must be.31 Katrina Vanden Heuvel, editor of The Nation, has stated that the “fight around net neutrality is the free speech fight of our generation … Now, if net neutrality is eliminated, these media monopolists will restructure how the internet works, creating information super-highways for corporate and political elites and digital dirt roads for those who can’t afford the corporate tolls.”32

Likewise, Free Press has stated, “The free and open internet is a powerful tool for everyone fighting for social change and racial justice. But companies like AT&T, Comcast and Verizon—and their government allies—want to destroy it.”33
While the populists like to huff and puff about net neutrality, there has only been one real case in which an ISP has violated net neutrality when it comes to legal content. That was when the small telephone company Madison River tried to block Skype over a decade ago. Its practice lasted less than one week after the FCC complained. That’s it. Before the Obama administration imposed net neutrality regulations and after the Trump administration abolished them, there was just one violation. Hardly an existential crisis. Moreover, every major ISP—cable, wireline, and wireless—has made binding commitments to not do this, and all support binding congressional legislation. It is the broadband populists that have refused to support such legislation, as their real goal is not to fix the supposed net neutrality problem, but rather to turn broadband into a regulated utility—ideally, a government-owned pipe. Subjecting broadband providers to Title II regulation under the guise of net neutrality is their means to that end.

Claim 6: Prices Are Too High

Not only are U.S. broadband speeds too slow, say the broadband populists and radicals, but prices are too high. Susan Crawford says that a lower percentage of the population subscribes to high-speed Internet in the United States than in Korea, Japan, and most of Europe because of “cost.” She claims that high-speed Internet costs six times more in the United States than it does in Hong Kong, and five times more than in Stockholm. Besides cherry-picking cities that are much more densely populated than the largely suburban United States, Crawford is misleading the reader by using cost per Mbps as the comparison metric. The costs of building and operating networks are not linear. A network that is twice as fast does not cost twice as much to operate. Therefore, a U.S. carrier deploying a 50 Mbps network for $60 a month would appear to be twice as expensive as a carrier in Japan that might provide a 100 Mbps network for $60 a month, even though such a comparison is wrong.

Moreover, if high prices are really the result of the U.S. private sector model, then surely government-operated networks in the United States should be much cheaper than corporate broadband. In reality, as ITIF has shown, that is not the case.

And when it comes to international price comparisons, the International Telecommunication Union (ITU) ranks the United States as tied for sixth place globally for affordability of fixed broadband prices as a percentage of gross national income per capita, on par with France and Singapore. In fact, ITU’s Measuring Digital Development report has long ranked the United States favorably in terms of the affordability of lower-speed offerings. The Inclusive Internet Index for 2020, a report developed by The Economist Intelligence Unit for Facebook, highlights where the United States stands in comparison to 99 other countries when evaluating Internet availability, affordability, relevance, and readiness. The United States ranks third. Moreover, according to polling, the main reason most people don’t subscribe to broadband is not because the price is too high.

Claim 7: Profits Are Too High

Once the critics have convinced people that large broadband providers offer poor service (low speeds, little privacy, limited coverage, nonneutral networks) at high prices, they go in for the kill,
claiming that the real problem is excess profits that keep prices higher and quality lower than otherwise would be the case. Derek Turner of Free Press wrote, “Meanwhile prices continue to rise far faster than the rate of inflation, and ISP profit margins soar to new heights.” But rather than use the more accurate measure of profits—net margin—which is much lower, Turner essentially uses gross margins. Crawford does something similar when she claims that cable companies Comcast and Charter reap profits of 95 percent. But she knows that this number (calculated by industry analyst Craig Moffit) represents gross margins, not net, and as such is a meaningless metric of true profitability, as on average net margins are just 12 percent of gross margins.

Data on EU and U.S. telecommunications, cable, and wireless providers calculated by NYU Finance Professor Aswath Damodaran suggests a very different picture, showing that these providers’ average net margins are about the same or lower than utility stock margins, many of which are price-regulated, while EBIDTA/sales (earnings before interest, dividends, taxes, and amortization) as well as pre-tax, lease, and research and development adjusted margins are higher for European cable and wireless companies, and just slightly higher for U.S. telecommunication service providers.

Do the broadband populists really want to put up the performance of the U.S. road system, built and managed by government, against the U.S. broadband system? The former received a “D” grade, for poor performance and conditions, by the American Society of Civil Engineers.

An even deeper critique is that broadband “giants” focus on profits, as if that means they don’t provide value to consumers. But over 70 percent of the U.S. economy’s for profit businesses—small, medium, and large—focus on profits. In free market economies, that is how societies can be reasonably sure that companies will try to boost innovation, increase productivity, improve quality, and meet consumer demands. Do the broadband populists really want to put up the performance of the U.S. road system, built and managed by government, against the U.S. broadband system? The former received a “D” grade, for poor performance and conditions, by the American Society of Civil Engineers.

Claim 8: Broadband Is a Fundamental Human Right

Their last claim is less of an attack on broadband companies and more of an attempt to change the nature of the debate to preference government-run networks. It is the assertion that broadband is a fundamental human right, much like food, shelter, and medical care. If something can be defined as a fundamental human right, it is easier to successfully argue for public ownership and provisioning. As one socialist advocacy organization argued, “Utilities as a whole need to be standardized across the country and taken into public ownership.”

Even though 7 percent of American households with over $100,000 a year in annual income do not have broadband and one-quarter of Americans over the age of 65 did not go online in 2020, broadband clearly is an important service. But being an important or even critical service does not mean it must be provided by the government. Food is the most important good or service, but we don’t have government-run farms and grocery stores. Instead, government provides food stamps and other aid. Whether or not broadband is a fundamental human right has no bearing on
who provides it; it should only have a bearing on whether governments provide the broadband equivalent of food stamps.

**THEIR ENDGAME**

For broadband populists and radicals, the critique of broadband corporations is a means to an end. That end is not reform but “revolution.” In other words, their endgame is a fundamentally different broadband system, one that is either run or heavily regulated by government the way most private local electric utilities are.

This is a major reason why, during the crafting of the American Recovery and Reinvestment Act of 2009 (ARRA), the anticorporate advocacy organization Free Press opposed tax incentives for private companies to deploy high-speed broadband while being in favor of public funding, Free Press knew that the former would help support the existing system while the latter would likely be used to undercut corporate revenues by funding government-owned system, which to some extent was in fact the case.48

This is also why broadband populists and radicals seek to impose restrictions and limits on providers, such as bans on bit caps and zero rating, requirements to build in areas that are uneconomical, and strict data privacy rules that would limit their ability to earn more from advertising even if they do so in ways that preserve consumers’ privacy.

The populists’ and radicals’ endgame is a fundamentally different broadband system, one that is either run or heavily regulated by government the way most private local electric utilities are.

And this is why the populists push so hard for government-owned networks, which is their ultimate endgame. For example, Free Press recently wrote, “Where possible, encourage new fiber-optic services and overbuilding.”49 Overbuilding is the golden path because it attacks broadband corporations directly, not by reducing their ability to get new customers in previously unserved areas (as funding government broadband in unserved areas does), but by taking away customers in areas where broadband companies have already invested capital. This helps explain why presidential candidate and Senator Elizabeth Warren (D-MA) unveiled an $85 billion plan to build broadband networks but explicitly excluded for-profit corporations from receiving these funds.50 Likewise, the progressive nonprofit civil rights advocacy organization Color Of Change demands Congress provide more capital to expand broadband infrastructure, including supporting local public broadband alternatives.51 McChesney would go even further, having called for a “digital revolution” where broadband is provided by nonprofits and is provided for “free as a basic right.”52 He summed up the populists and radicals when he stated that “if democracy has not triumphed over capital, the digital revolution will have been a revolution in name only.53

As such, before debating any of these criticisms—speeds, prices, coverage, etc.—the most important question for policymakers to decide is whether they believe that the broadband economy is best advanced by large companies that can mobilize the capital and technical expertise needed to continue to advance U.S. broadband, or by a fundamentally different system of smaller, local companies and governments providing broadband service. That is what the broadband debate is really about; the rest is a smokescreen to cover the populists’ and radicals’ real agenda.
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About the Author


About ITIF

The Information Technology and Innovation Foundation (ITIF) is a nonprofit, nonpartisan research and educational institute focusing on the intersection of technological innovation and public policy. Recognized as the world's leading science and technology think tank, ITIF’s mission is to formulate and promote policy solutions that accelerate innovation and boost productivity to spur growth, opportunity, and progress.

For more information, visit us at itif.org.
ENDNOTES


4. Ibid.


14. Ibid.


18. “Speedtest Global Index.”
22. The feds provided $111 million, and Chattanooga has around 80,000 households.
28. We applaud the FTC’s 6(b) investigation of the broadband market. Today’s report confirms our longstanding concerns about the monetization of ISP customer data and the misguided repeal of broadband privacy rules four years ago. Most importantly, it underscores the urgent need for a comprehensive privacy law.
30. Ibid.
34. Crawford, Captive Audience, 232.

40. Crawford, Captive Audience.


48. Based on a conversation with congressional staff in 2009.


50. Hanna and Mitchell, “United States: Communities providing affordable, fast broadband Internet.”


53. Ibid., 232.