

HOW “BIDENOMICS” PROGRAMS PLAY OUT IN THE REAL WORLD

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On September 25, 2024, [Dr. Paul Winfree testified](#) before the Committee on Oversight and Accountability to review the economic policy of the Biden–Harris Administration.

Dr. Winfree testified that the Biden–Harris Administration’s [failed attempt to improve internet connectivity](#) is an important example of the administration’s flawed policy approach that in the end raises the cost of living for Americans.

Government Intervention Linked to Cost-of-Living Increase

There are a variety of federal government policies that have increased the cost of living. These policies include excessive regulation and subsidies that can protect existing businesses at the expense of new market participants, discourage the supply of necessary goods like housing, or inflate prices despite the intention of policymakers.

The Biden–Harris Initiative to Enhance Internet Connectivity Raised Costs for Consumers

The Biden–Harris Administration’s plan to increase internet connectivity is [a prime example of good intentions resulting in bad policy](#).

Being connected to high-speed internet is vital in today’s economy. Rather than reducing excessive regulations that are known to have increased prices, the Biden–Harris Administration attempted to subsidize both the supply and demand of high-speed internet.

To increase the supply of high-speed internet, the Biden–Harris Administration has relied on the Broadband, Equity, Access, and Deployment (BEAD) program – a key component of “Bidenomics.” The Infrastructure Investment and Jobs Act (IIJA) of 2021 provided \$45.45 billion [“to expand access by funding planning, infrastructure deployment and adoption programs.”](#)

However, as of August 2024, no households have been connected to high-speed internet with the BEAD program funds.

This is, in large part, motivated by the fact that the Biden-Harris Administration implemented excessive requirements and placed extraneous labor regulations on how the money is to be used. In response, states have turned down the BEAD funds.

To subsidize demand, the Biden-Harris Administration has pushed for the continuation of a pandemic era program called the [Affordable Connectivity Program \(ACP\)](#) that ended in June 2024. ACP was a subsidy for low-income households to purchase devices (e.g., computers, tablets, phones) and to subsidize their monthly internet bill by \$30. However, economic theory would predict that subsidizing demand without changing supply would transfer the subsidy to the producer and effectively increase prices.

The Biden-Harris Administration has suggested that ACP helped households save about \$500 million per month on internet bills. However, that calculation does not include the effects of ACP on prices for broadband services. Based on my estimates, ACP likely reduced the monthly net cost of broadband by about \$380 million for households who qualify for the subsidies after adjusting for the increase in prices.

But once the price increase for all households (including ACP beneficiaries) was factored in, [ACP likely increases the net out-of-pocket cost](#) of broadband that households pay by about \$185 million per month or \$2.2 billion per year.

Policymakers Must be Wary that Harris Campaign Would Make Same Mistake in Housing Market

More recently, the [Harris campaign](#) has proposed that in order to increase housing affordability they would offer a \$25,000 subsidy to first-generation homeowners. However, policymakers should learn from the recent experience of ACP.

Given that it will be extremely difficult to substantially increase the number of homes at a rate that would keep up with an increase in the demand associated with the subsidy, such a subsidy would increase the cost of housing as it would be transferred to the seller through the purchase price of the home.

If the new housing subsidy were paid for with additional deficit financing, which is almost a certainty, it would be especially inflationary making housing even less affordable.