

Net neutrality would weave a tangled Web

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Dumb is better? That is what the advocates of the so-called net neutrality would have us believe. Their basic belief is that broadband networks should be dumb pipes that indifferently pass packets of information from one location to another, allowing the content providers and customers at the ends of the network equal opportunity to do whatever they want.

Who could be against that? Well, maybe people who are interested in innovation and customer welfare.

Remember when Al Gore called the Internet the "information superhighway"? The metaphor wasn't and isn't perfect, but it is instructive for thinking about net neutrality.

Suppose that we applied the net neutrality principle to our transportation system. There would be no high-occupancy vehicle lanes during rush hour, no car-only lanes on interstate highways, no toll roads as an alternative to Interstate 95 in South Florida, and maybe no railroads because they discriminate against cars and trucks. Our transportation system would be more costly and provide less value.

Forcing a net neutrality policy on broadband networks would have similar results. Packets containing information that is time sensitive, such as auction bids and stock market transactions, would have to wait in line behind highlights of last night's football game or a clip from someone's favorite TV show. Data that could benefit from extra security, such as financial transactions, would be given no better treatment than a Twitter from Taylor Swift's E! interview. And the online meeting that you are trying to hold to iron out final details for a new product launch could be interrupted when teenagers get out of school for the day and begin sharing video and audio files.

If you are thinking that it sounds like net neutrality restricts innovation and hurts customers, you are right. Our research and research done by other

economists have shown that net neutrality limits innovation at the edges of the network, contrary to the claims of the net neutrality proponents. How can this be? Imagine a one dimensional network — one that does nothing but carry information from one point to another, which is how the old Internet has worked. What kinds of content providers flourish in that context? Those big enough to distribute their software across the net and those whose software takes advantage of the great bandwidth that they don't have to pay for.

Now suppose that the network can add value by offering content providers enhancements that improve their customers' experiences. Those content providers whose sites would not benefit would simply ignore the offering, just as someone who wants to drive to work ignores the additional services that a railroad might offer to a shipper. The bells and whistles just don't apply. But there will be some content providers who could improve their services by buying enhancements from the network, such as priority delivery of data. These sites become better without net neutrality and offer customers more services than they would have had otherwise. In other words, there is more innovation and greater customer welfare without net neutrality than with it.

What happens to today's successful Internet sites if networks are allowed to move beyond net neutrality principles? They face greater competition and probably lose market share. That is bad for them, and probably explains why they are the strongest advocates of net neutrality. But moving beyond a dumb network is better for customers, for the sites that find new opportunities, and for the networks.

It should be no surprise that dumb isn't better. In an information and innovation driven economy, restrictions don't make us better. They hold us back.

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