

Forbes

The Fallacies Of FCC's Net Neutrality Philosophy

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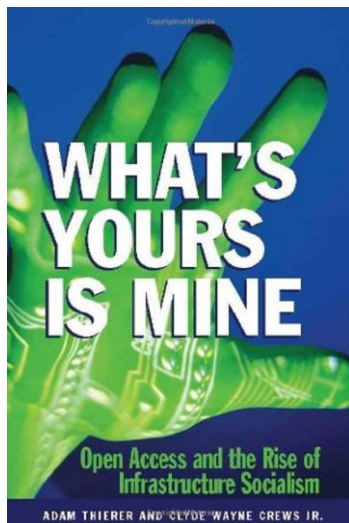
This week, the Federal Communications Commission and Chairman Tom Wheeler will finally reveal a long-awaited ruling on net neutrality.

The set of commandments will swap today's light-handed Internet oversight for regulation treating it like a public utility. The Internet isn't broken, therefore it needs fixing, don't you know.

Net neutrality and similar "what's yours is mine" regulatory power grabs are rooted in ideas of "natural" monopoly and a longing for central control rather than consumer welfare. Such campaigns ignore the historical role of regulatory agencies themselves in establishing legal monopolies in the first place through such vehicles as exclusive franchises and regulatory "certificates of convenience and necessity."

Just as we've put the protected monopoly era behind us, Washington wants to make sure it can remain in charge.

Aside from the power issue, net neutrality rests upon numerous misperceptions about competitive markets and capitalism, including but not limited to the following:



What's Yours Is Mine, Cato Institute, 2003

- Infrastructure companies and content firms are naturally at odds.
- Competition requires political force.
- Net neutrality is itself not a form of picking sides (or discrimination, as it were)
- Infrastructure companies should not control content; however, content companies, in conjunction with bureaucracies backed by legislation and regulation, should control infrastructure companies.
- Government enforced net neutrality spawns “openness”; market impulses do not.
- Communications flows (video, information, calls etc.) are maximized by neglecting, even blocking, the liberalization of and enforcement of property rights in grids.
- Networks themselves cannot be regarded as a competitive unit in any sense: only the movement of bits from point A to point B on an existing network counts as competition or openness. Networks best exist as passive husks, not dynamic forms of infrastructure wealth created, managed and duplicated in response to price signals.
- “Market failures” matter, government failures do not exist .
- Infrastructure companies’ interest lies in not selling services and in not expanding access.
- Wall Street, rivals and consumers cannot react to discipline inefficient network management or generate new bandwidth infrastructure, but will remain passive. In fact, the folks at FCC are better equipped than capital markets and a global economy to discipline ill-managed networks.
- Alternative, profit-driven modes of infrastructure organization matter less than FCC regulating the mode that exists in 2015: User ownership of grids; liberalization of non-telecom network industries to enable wide-scale, cross-industry infrastructure consortia; “splintering” into and out of the public net by private carriers — all these and more have little role to play and may safely be ignored.
- In any event, FCC interference will not undermine these alternative modes of discipline, or alter technological trajectories in any harmful way.

Unfortunately, Republican politicians are not that much better at articulating the need for competition in infrastructures. Their draft bill explicitly endorses the flawed “neutrality” concept and bans owner actions that could very well be critical to a future healthy “splinternet,” while undermining impulses for cross-industry liberalization.

Republican’s response to FCC needs to be revoking its power, and separately, mounting a larger effort to liberalize all our great infrastructure industries so they can work together (transportation, electricity, pipeline, and so on).

Unfortunately, Republicans lack the vocabulary and inclination to do what's needed. The one big factor right now that might make a difference in this regard is the fact that Congress will be exploring how to enhance critical infrastructure and cybersecurity.

In expanding utility regulation into the modern era, what FCC is doing will set new precedents that irretrievably undermine critical infrastructure's evolution across sectors and harm the nation. Congress must stop the agency.