



This Pa. net neutrality bill is a solution in search of a problem

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In February, the Federal Communications Commission officially abandoned its "net neutrality" rule that prohibited internet service providers (ISPs) like Comcast and Verizon from placing extra charges on heavy internet users or slowing down those users' giant data streams.

The rule change followed months of dire warnings from politicians; political activists, and media commentators, that if the FCC abandoned net neutrality, then the internet and perhaps democracy itself would collapse.

Yet now, nearly two months after the rule's reversal, the internet and democracy seem to getting along as fine as they did under the rule--and, for that matter, as fine as they did before June 2015 when net neutrality was implemented.

However, Pennsylvania state Sen. Lawrence Farnese Jr., D-Philadelphia, worries this may not continue. He is proposing the Keystone State adopt its own net neutrality law.

To judge whether Farnese's bill would be good for you, try this thought experiment: Imagine the government announces that you no longer have to pay your monthly credit card bill.

However, you will have to pay the average of everyone else's bill. What would you think of this policy and how would it change the way you use your card? Would you get rid of it altogether? Keep your answer in mind while we discuss net neutrality.

The issue underlying net neutrality is a technology problem wrapped up in an economics problem. It revolves around a basic question: should those who make heavy use of the internet be responsible for a bigger chunk of its cost?

At one time, no one thought disproportionate costs would be a problem. The internet started out as a government-financed computer network connecting the Pentagon with research centers working on Defense Department contracts, and soon expanded to include universities generally.

In the 1990s, when the internet's economic potential became apparent, the government opened it up to the public. Users could connect through early ISPs like AOL and Earthlink to the government "backbone" network and then to other computer users through their ISPs.

But the government connections soon became overwhelmed. The ISPs and other internet companies began building their own backbones, and also connecting directly to other ISPs without using backbones.

Contracts between the private networks established prices to use the different systems. This benefited consumers because the integrated networks created redundancy and greatly improved capacity. As a result, internet reliability and speed improved while subscriber prices (adjusted for service quality) fell.

Because of those increased capabilities, heavy internet users like Netflix, YouTube and Spotify developed new, data-heavy products.

Those products are putting pressure on internet capacity. Increasing capacity is costly, so the ISPs want to charge heavy users for the additional equipment. The heavy users don't want to pay those charges, so they petitioned the Obama administration for protection, resulting in the 2015 net neutrality rule.

Now the FCC has reversed course, clearing the way for ISPs to charge heavy users for the higher costs instead of making everyone else pay bigger internet bills.

However, Senator Farnese wants to change that in Pennsylvania. If he succeeds and the ISPs are prohibited from charging extra to heavy users, then the ISPs will likely do one of two things:

1. They'll slow the upgrading of their networks, resulting in bad connections for everyone, or
2. They'll invest in the upgrades and raise everyone's internet bills regardless of whether they subscribe to Netflix, YouTube, Spotify or other heavy users.

Like in the credit card thought experiment, Farnese's bill would mean government will burden some people to provide other people's benefits.

Net neutrality supporters claim that allowing the ISPs to charge different prices for different levels of service would lead to the ISPs nefariously impeding their own subscribers from visiting parts of the internet.

That's possible, but it seems unlikely because the ISPs would lose subscribers and gain a lot of bad publicity. Besides, ISPs are under the oversight of the Federal Trade Commission--the nation's top antitrust watchdog--to make sure they don't engage in anticompetitive practices.

Senator Farnese is nonetheless worried about mischief by the ISPs--and that's not a baseless concern.

However, throughout economic history, plenty of mischief has resulted when one group of people receives a good and another group of people pays the cost.

The FCC's repeal of net neutrality is intended in part to avoid such mischief and make different internet users pay their fair share of their costs.

Much like in the credit card though experiment, your opinion of Farnese's bill should depend on whether you would rather pay your own internet cost or share in everyone else's.

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