

“Content Layer” Gate Keepers and Internet Concentration: A Case of Cause and Effect?

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Structure of Talk

1. Introduction and Motivation
 2. Identifying the Legal Framework
 3. Examining the Empirical Findings
 4. Identifying Causes and Suggesting Solutions
 5. Directions for Future Research
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Introduction and Motivation

- The “myth” of the Internet
 - The Implications of Internet Diversity
 - Facing reality
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Introduction and Motivation

- ❑ In general: Very far from the “3 network” world of the 50’s.
 - ❑ The traits of the medium:
 1. General notions of freedom
 2. For “readers”: Millions of websites, access is easy, open and cheap
 3. For “contributors”: Low publication costs, easy to be “picked up” by search engine or send link to others, easy to make use of other content posted online
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Introduction and Motivation

- Diversity of online content –
 - Regulators are not intervening
 - Reason for “loosening” policy in other media
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Introduction and Motivation

- Problems in Paradise
 - Very few sources of new content online
 - Evidence of concentration in markets, web traffic and web use patterns
 - Data regarding “hits” is proprietary – and we must rely on heuristics (market data, surveys, links)
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Identifying the Legal Framework

- Justifications for enhancing competition in the media market:
 - Antitrust arguments (Fixed costs, sunken costs, network effects) – prices are going down in any event...
 - Free Speech Arguments
 1. Diversity of content
 2. Diversity of voices
 3. Localism
 4. The Public Interest
 5. Fears of Manipulation

Summing up: For the Internet – we would want *new independent* content of *quality* – for that *in theory* we need a competitive market

Identifying the Legal Framework

- Readers vs. Speakers – Usage vs. Number of voices – unique to the Internet – the real scarcity is the public's attention
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Identifying the Legal Framework

- Breadth of First Amendment Protection:
 - Political Speech vs. Commercial Speech
 - Importance of Popular Culture
 - The Distinction Blurring
 - Internet Impact – disconnection between news and entertainment providers
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Identifying the Legal Framework

□ Additional Points:

- Defining geographical markets
 - Defining possible actions:
Removing restrictions, proactive steps
(raises paternalistic concerns)
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Examining the Empirical Data

- Significance of Concentrated Market:
 - Few firms generating profits; Therefore,
 1. Might indicate bias in the distribution system
 2. Lack of feedback will lead to less voices
 3. Lack of an audience – will lead to less profits (advertising, direct income) and therefore lower quality

However:

- Online environment facilitates peer production – which can provide high quality products with lower fixed costs
 - People might continue producing content even without a viable business plan – if they receive feedback from a close circle of friends
 - Geographical market factor is redefined
 - Arguments might not be as strong in the “entertainment” realm
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Examining the Empirical Data

- Existence of Power Laws in Online Content Consumption –
 - Difficult to establish what part of the effect is a “natural” result of positive feedback – and what part is a result of a biased market
 - In the Internet realm – technical reasons enhance feedback cycles and therefore create power laws.
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Identifying Causes and Suggesting Solutions

- Solutions in other media:
Restrictions on horizontal and vertical mergers

 - Issues usually addressed in the online context:
Net neutrality and problems arising from control over physical conduits (serious possible concern: inhibitions on “upstream” data)

 - My suggestion: *Examine the ways in which content is distributed.*
 - Uniqueness of online realm – the use of intermediaries is *essential.*
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Models for Content Distribution

- ❑ Web addresses (alphanumeric strings): Leverage from offline brands and benefits from trademark
 - ❑ Portals – concerns of vertical integration and promoting specific forms of content; possible shift from “pull” to “push”
 - ❑ Search engines
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Focusing on Search Engines

□ Elements to Consider:

1. Neutrality
 2. Transparency
 3. Vulnerability to “Gaming”
 4. Vertical Integration
 5. Subsidies for new engines, the role of open source/free software
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Directions for Future Research

- ❑ Who can regulate the Internet and under what authority (no licensing scheme); Shift to “state actor” doctrine?
 - ❑ Future applications- walled gardens applying personal information (might be helpful to minority and local voices)
 - ❑ Converging the various media (towards the death of the “scarcity” rationale)
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