Many Increasing Returns

Susan Crawford
scrawford@scrawford.net
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Four points

• Market failure in highspeed internet access in the U.S.
• Single pool of digital data replacing former communications modalities; users indifferent to transport mechanism
• Economic growth triggered by new ideas/diversity
• Internet unparalleled idea-generation engine

Message

• Top telecommunications priority should be to ensure universal highspeed access to the internet
• That access should take the form of bare wires/pipes, allowing ample ISP competition
• Output will be increasing economic and cultural returns for the U.S.
### Categorical blurring: internet’s impact

- Telephony/postal blurring
- Descent of newspapers
- Cinema/broadcast v. collective entertainment
- Simple protocols of internet caused blurring
- User perspective: convergence has already arrived

### Incumbents fighting back

- Convinced FCC highspeed access not a common carriage service
- Convinced Supreme Court to defer to FCC (although major non-delegation problem)
- Attempting to sell bundled services
- Attempting to convince Congress that incentives required for investment (compare Deutsche Telekom)
- Working towards IMS/NGN standards
Broken market for access

- Providers have every reason to discriminate rather than compete
- If competition, “network neutrality” wouldn’t be an issue
- Top ten broadband access providers, each of which has a monopoly on network access provision in its own region, control over 83% of the market for broadband access in the U.S. (and the top two cable companies and the top two DSL companies together control more than 50% of that market)
- Re-consolidation of AT&T

Economic growth

- Traditional view of communications: scarcity
- Parallels traditional economics: perfect competition, constant or decreasing returns, focus on marginal utility
- But diverse nonrival, partially excludable ideas introduced at scale lead to economic growth (Paul Romer)
U.S. economic growth

• With 0.5% increase in economic growth each year for next 45, we could fix all baby-boom related budget problems
• Can’t borrow diverse new ideas from elsewhere
• Need to strongly support development of diversity here at home

Internet as laboratory

• Interaction, scale, connectivity
• Support for access central to economic growth
• Cf. Korea, Japan – where economic growth tie to penetration is explicit in policy
Two policy outputs

• Reform universal service
  – highspeed access
  – general tax revenue
• Once govt is funding/involved, focus on nondiscriminatory access
  – avoid gatekeepers
  – avoid supporting particular speakers
  – connectivity as basic infrastructure -- utility

Rejecting simplification

• Internet “just like” a railroad
• “Just like” a cable system
• Argument: internet is exceptional and access to it the key social policy question of our age
• A system, not a supply chain
Conclusion

• Everything relates
  – systems everywhere
  – fear of “0”, fear of infinity
  – reliance on things and hierarchies

• Difficult political climate
  – “you want to get rid of cable television?”
  – “you want to nationalize private networks?”
  – “shouldn’t we study online terrorism?”