Net Neutrality Will Neuter The Net

The market provides goods and services in quantities and at prices in response to the market signals of supply and demand. This is certainly a very simple definition. There are exceptions and plenty of nuances to this statement, but for the purpose of this argument, it should suffice.

Examples of the market functioning sans state interference are somewhat difficult to come by since the state has wormed its way into virtually every facet of the market. Even so, some areas of the market are still free enough to adequately and quickly respond to market signals without too much distortion of those signals by the state.

Gold, cars, labor, wheat, bitcoin and bandwidth are all scarce resources which means that they all have a finite supply. Each of these goods and services are exchanged at a market rate that, by definition, is where both the supplier and the consumer are voluntarily willing to make the exchange.

As simple as this might seem, the number of people who cannot seem to grasp the very basics of market economics is still astronomically high.

It is readily apparent that state mandated price controls manipulate market signals in a devastating way. Every time price controls are proposed, there are vast numbers of people who think that the proposed controls are necessary and will be beneficial. History is replete with such examples. The Soviet Union dictating the price of milk, Nazi Germany’s price fixing of clothes and shoes, the United States’ tight control of gasoline prices in the 1970’s or the late Hugo Chávez’s recent foray into the morass of state enforced prices on virtually everything from bread to toilet paper, plummeting Venezuela into economic catastrophe. In each instance, the fear that poor people might not be able to afford milk, shoes, gasoline and bread was a very real. This fear drove people to support devastating government policies that lead to the rationing of goods and thriving black markets.

The result that comes from taking economic decision-making away from the market and handing it to the state is predictably destructive.

At its center, state enforcement of what is commonly called “net neutrality” is a form of price control. Many internet consumers have a fear that internet service providers (ISPs) might begin to treat the delivery of “data packets” differently, depending on how much consumers are willing to pay. The trepidation of many people is that some consumers may be willing to pay a premium price to an ISP in order to prioritize their data packets as they are shuttled through the scarce resource of available bandwidth. Rather than letting market forces incentivize innovation, net-neutrality supporters are advocating that the state step in and force the internet to maintain a status quo that the market, in response to the increasingly high demand for a scarce resource, may or may not want to keep.

Now, what if, instead of data packets, we were discussing real packets? Let's apply this same logic to actual boxes with physical goods inside them. We know that the machines and labor used in the transportation of goods are scarce. There are a limited number of airplanes and trucks and a limited amount of workers to operate them. In order to keep parcel delivery available to virtually anyone, delivery services have allowed consumers to choose how their parcels are prioritized. Over the years, delivery time-frames have become shorter and less expensive because the competing delivery services are incentivized to continually innovate in order to maximize service and minimize cost for their consumers. Can you imagine how quickly such innovation would be stifled if the state stepped in and said that FedEx could no longer accept higher payment in exchange for a next-day-air delivery across the country? "Pharmacy ran out of heart medicine? We'll get you some more in four days. Oh, it's an emergency? You're willing to pay us a premium for a quicker delivery? Sorry, it's against the law. Four days. Live with it (or, in this scenario, possibly die)."

(As silly as it may seem for the state to regulate how quickly and at what cost mail and parcel delivery can be made, it has done so more than once. For an example, one need look no further than the state's treatment of the American Letter Mail Co. founded by Lysander Spooner in 1844. Ironically, the state shut down Spooner's company, not for delivering mail at higher prices, but delivering mail at prices so low that the state's own company, the United States Postal Service, couldn't adequately compete. Seriously, Google it.)

Many people really don't care about innovation though, they only care about equality of outcome. They would much rather have slower postal delivery services or a slower internet speed, so long as everyone is equal in the slowness. The Pony Express offering to deliver letters at a faster speed for a higher price, while innovative to be sure, introduced an inequality in the speed of mail delivery, something that just cannot be allowed to happen with the internet! Thankfully, the state did not swoop in to regulate the speed and price of the services provided by the Pony Express, and today, we all enjoy vastly quicker delivery speeds at a fraction of the cost, all because of market innovation sans government meddling.

The comparative absence of state regulation has allowed the internet to completely revolutionize the entire world, and it has only really been in existence since about 1990. The breakneck speed of innovation within this industry has given internet access to virtually every American (and quickly trending toward every person the world over). Nearly 100% of my generation in America uses the internet. We shouldn't fear change and innovation; it is what has built the internet into what we have now.

Injecting state control into the internet market will predictably lead to lower quality and higher prices. History has proven this time and time again. There is no need to repeat the mistakes of others.