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Net Neutrality and Classical Economics

When internet users use the internet to shop, update social media or watch videos they expect to be have the capacity to connect to the websites they choose without slowed down speeds or purposely blocked content. Internet users expect Net Neutrality. According to Free Press, a United States advocacy group that is part of the media reform movement, Net Neutrality “is the basic principle that prohibits internet service providers like AT&T, Comcast and Verizon from speeding up, slowing down or blocking any content, applications or websites you want to use.” Currently however, Trump’s FCC chairman, Ajit Pai, would like to eradicate Net Neutrality. Internet without Net Neutrality is not the internet. Additionally, Free Stresses that “without Net Neutrality, cable phone companies could carve the internet into fast and slow lanes. An ISP could slow down its competitors’ content or block political opinions it disagrees with.”

The dismantling of Net Neutrality connects to arguments and policies suggested in our text. It brings in arguments from classical economists such as Adam Smith, David Ricardo, Jeremy Bentham, Jean-Baptiste Say and William Thompson. Throughout this essay, I will analyze the arguments and policies made by these economists and relate them to Net Neutrality. I will then point out the arguments and policies that are the most persuasive as well as the least persuasive.

Net Neutrality was put in place back in 2015 and the internet was placed under Title II which meant that it considered it as a necessary utility, thus making it free and open. As stated before, FCC chairman, Ajit Pai, is currently trying to overturn that ruling and revoke the title II protection. Allowing ISP companies to dictate the internet creates issues left and right. Without Net Neutrality protection, ISP companies can create fast lanes to charge more money to businesses in order for their websites, webservers or services to run efficiently. Startups and smaller companies attempting to expand their businesses through the web will be at a loss because they might not be able to pay large fines. Unable to pay for these fast lane, their websites would be potentially moved to slow lanes, where it would be hard to grow.

Allowing the dismantling of Net Neutrality will allow ISP companies to behave like the landowner class. This brings in a class conflict and social harmony issue mentioned by Adam Smith. In the words of both David Ricardo and Adam Smith, it would give ISP companies “the right to reap where they did not sow.” They would acquire additional revenue by charging businesses extra money in order for their business websites and services to run on their network. Besides the network fees, they would also charge businesses more

to keep their websites running efficiently without any slowdowns. This would in turn create a ripple effect. Companies providing online services would have to charge consumers more for their product in order to generate profit after paying all the ISP fees. The internet market would turn into a subscription-based model, charging internet users different amounts of money for different types of packages. Ricardo’s quote “the landowners directly oppose

those of general society” resonates with the removal of Net Neutrality because of the ripple effect that was mentioned above; businesses must pay more so therefore consumers would have to pay more as well. This is especially true as there is a massive outcry and push-back against the FCC chairman, Ajit Pai destroying Net Neutrality. Despite the protests and

the outcries, the government is not listening and even go out of their way to put down protests against rolling back Net Neutrality.

Another connection can be drawn involves the ideas of the classical economists who believed in limited government intervention. Smith would disagree with the repeal of Net Neutrality because the government would be allowing the FCC, a government entity, and ISPs to regulate a major sector in the market. As Hunt puts it, “Smith concluded that government interventions, regulations, grants of monopoly, and special subsidies all tended to misdirect capital and diminish its contribution to economic welfare. Furthermore, such government actions tended to restrict markets and thereby to reduce the rate of capital accumulation, to decrease the extent of the division of labor, and, accordingly, to reduce

the level of social production.” Government interference will diminish the level of production. The deprecation of Net Neutrality might cause small businesses and startups to go bankrupt or force them to offer their services at a local level. Doing so will increase unemployment and decrease the amount of consumer spending.

The repeal of Net Neutrality would also go against the ‘invisible-hand’ argument that Adam Smith makes. The invisible hand only works in competitive markets; it argues

that even when individuals act selfishly, on their own behalf, or on the behalf of the class which they pertain to, there is an influence in the “laws of nature” or “divine providence” that guides these individual conflicts into a compassionate harmony where the market thrives. The invisible hand argument would be not work in the case in of the deprecation of Net Neutrality because businesses and markets would no longer be dictated by nature

and/or consumers. It would be dictated by money and the ability of a business to pay the fines for these fast-lanes. These same sentiments were shared amongst Ricardo, late Bentham, Say and Thompson, who also added that in capitalism, there can never be security because of things like this happening. According to Hunt, Thompson believed that, “capitalism could ever be a ‘system of security’ in which each person had the fruits of his or her labor secured” furthermore he adds, “Thompson concluded that capitalism was inevitably a system of exploitation, degradation, instability, suffering, and grotesque extremes of wealth and income.” Thompson suggestions for in a fair, competitive, exchange society were not any better. According to Hunt, Thompson believed that two conditions were necessary for free exchange harmoniously benefit all exchangers. The first condition involved workers needing to have their own capital and materials needed for production. The second condition stated, “if completion was to be universally beneficial, then all restriction on free competition would have to be removed. To remove these restrictions would require the repeal of all

laws restricted or directed production, established or maintained monopolistic advantage in any market, levied taxes on or gave subsidies for production, permitted the government to regulate the money supply.” Jeremy Bentham, another advocate for government interference believes that government intervention lessens harmful effects of the inequalities of wealth and income. Bentham and Thompson’s policy would not work because in the case of

Net Neutrality, it is the government that is trying to intervene to make the things worse.

On the flip side, there are arguments being made that getting rid of Net Neutrality would create more competition. Competition is good thing in the eyes of Smith, Ricardo, Bentham, and other classical thinkers like them. The only problem with this argument is that it is difficult for new ISP companies to arise. Because of this, consumers are left with limited options and ISP companies can do what they want. Therefore, the arguments that make the most sense to me are the ones that are for Net Neutrality and limited government intervention. As a computer programmer, I feel like it would be much easier to find employment if Net Neutrality still existed because it would give more options.

In conclusion,