Keeping The Internet Neutral & Economic Equality Are Intertwined

Imagine a network of private highways that reserved a special lane for Fords to zip through, unencumbered by all the other brands of cars trundling along the clogged, shared lanes. Think of the prices Ford could charge. Think of what would happen to innovation when building the best car mattered less than cutting a deal with the highway's owners.

Fifty years ago, consumers were allowed to hook up only Bell telephones to their Bell phone lines. But in the 1960s, the F.C.C. and the courts forced the Bells to accept any device that didn't threaten the network. The decision unleashed a torrent of innovation — including the answering machine, the fax and the first device that allowed us to explore what would become the Internet: the modem.

Innovation online requires an open playing field, too.

A few years ago, Tim Wu, a professor at Columbia Law School and a leading thinker about the evolution of the "information economy," warned members of he House judiciary committee that this could be the fate of the Internet. Companies offering broadband access, he said, should not be allowed to discriminate among services online. If they did, the best service would not always win the day. "It's not who has a better product," he explained. "It's who can make a deal with AT&T, Verizon, Comcast or Time Warner."

That world may be right around the corner. Last month, the online video powerhouse Netflix started a political action committee to complement a budding lobbying effort in support of the idea that all content must be allowed to travel through the

Internet on equal terms. Netflix is trying to build a coalition of businesses to make the case for this open access, also called network neutrality.

"Net neutrality has broad consumer and voter support," Reed Hastings, the chief of Netflix said in an interview. "It is important for the sake of public access that the rules apply equally."

Netflix's immediate concern is Comcast, the biggest broadband provider in the country, whose cable brings the Internet to one in five connected homes. In March it announced that watching its Xfinity TV service on the Microsoft Xbox 360 would not count against subscribers' broadband data allowance of 250 gigabytes a month.

This, Mr. Hastings says, will give Comcast's television lineup an edge over rival shows streaming through the device, which will consume subscribers' data allotment. And nobody cares more than Netflix, whose movies and TV programs account for about a third of the peak online traffic.

"If I watch last night's 'S.N.L.' episode on my Xbox through the Hulu app, it eats up about one gigabyte of my cap, but if I watch that same episode through the Xfinity Xbox app, it doesn't use up my cap at all," Mr. Hastings wrote on his Facebook page. "In what way is this neutral?"

Comcast argues that its Xfinity move is not subject to the Federal Communications Commission's net neutrality rules because the video travels exclusively on its network and not on the public Internet.

But the issue is not a mere business spat to be resolved between Comcast and Netflix. Comcast's data cap policies are reportedly giving Sony second thoughts about a planned Internet video service to compete against cable and satellite television. It's not even just a spat about TV.

The emerging dispute between Netflix and Comcast underscores the core weakness of the Internet economy. To reach the multitude of online services competing for your attention, you must first get through a bottleneck that is not competitive at all: high-speed broadband access.

Today, 96 percent of Americans have a choice of at most two broadband providers — a cable company and a phone provider. For consumers who desire very high speeds, cable is often the only choice — along with Verizon's FiOS and AT&T's U-verse in small pockets of the country. If given free rein, these gatekeepers could determine which services get to drive through the pipes that make up the Internet at what speeds and prices.

Costs are higher when there is little competition. If only 43 percent of American households with income under $25,000 a year have wired access into the home, it's because most of the rest cannot afford it. The cheapest available broadband package is more expensive in the United States than in 28 of the 34 industrialized countries in the Organization for Economic Cooperation and Development, when measured in dollars per megabit of speed.

Just look at your phone or cable bill. In New York, Verizon offers its fast FiOS triple-play plan — including unlimited national calls and downloads at 25 megabits per second — for a promotional rate of $84.99 a month. In France, Iliad offers packages that include free international calls to 70 countries and a download speed of 100 megabits per second for less than $40.

There is little mystery here. About a decade ago, the government forced France Telecom to lease capacity on its wires to rivals for a regulated price, allowing competitors like Iliad to storm in. The United States took a different path: the Telecommunications Act of 1996 had opened the possibility of similar unbundling, but the F.C.C. decided against such action out of concern it would discourage investment in physical infrastructure.

The F.C.C. appears to have made the wrong call. Iliad started piggybacking on France Telecom's wires, but soon began laying wires of its own. In 2002, the United States had the sixth-highest broadband penetration among all O.E.C.D. countries. Last year it was in 15th place. Of 34 industrialized countries, the United States ranks 17th in terms of average download speeds. Among the 31 countries hat have very-high-speed broadband access, the United States is more expensive, trailing only urkey, Israel and Chile.

And a spate of deals between cable companies and Verizon Wireless to cross-sell one another's services does not bode well for competition and investment in the future. Verizon does not plan to expand its FiOS network beyond the 18 million homes it set out to reach six years ago. This suggests a market carve-up is about to take place, with Verizon focusing on wireless broadband and cable companies on wires into the home.

With fewer competitors in the way, broadband's gatekeepers will face less resistance to a strategy of carving special lanes out of the Internet.

Technology, of course, will shape competition and innovation online. Google is wiring Kansas City with fiber. If it extends that experiment, it could become a formidable competitor. Next-generation wireless may bring fast broadband to rural areas where laying fiber is unprofitable. But regulation will be crucial, too.

And right now regulation appears weak. The F.C.C. has net neutrality rules. But the agency lost one neutrality case against Comcast in 2010, and Verizon is challenging the new rules issued in response to the ruling. The rules, moreover, have loopholes. For instance, they allow broadband providers to allocate portions of their pipes for special "managed" services.

Still, the government has a track record of keeping the telecommunications highway open. It sliced the Ma Bell monopoly into Babies, and ensured they carried one another's calls. In the era of dial-up Internet, it ensured that phone companies allowed rival Internet service providers to reach their customers.

The F.C.C. is under siege in Congress — where the phone and cable companies have unleashed their lobbying might. In March, the House passed a bill to limit the agency's ability to issue new regulations. Members of Congress might remember that government regulation was crucial for the development of the Internet we know today.