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Whose property is it?

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Assume you have just purchased a large piece of property you intend to use for agricultural and recreational purposes. You decide the best place to build your house is about a mile from the main road, and that the best place for you to build a road (driveway) to your new house site is along one of your property lines.

Three of your neighbors, hearing of your plan, ask if they can also use your new road because it would give them better access to their properties than they now have. You are willing, for a price, because if you give your neighbors the right to use your road you will have to upgrade it from a single to a double lane. They, understanding this, agree to pay an annual fee if you will build the two-lane road and let them use it.

However, one of your neighbors has a small rock quarry on his property, and he wants to use your road for his big trucks. You say OK, but he will have to pay you a bigger fee because he wants to use the road more often than the other neighbors and his trucks will require a stronger road bed and more maintenance. The neighbor with the rock quarry says he only wants to pay what the others pay because that would be "neutral," and if you try to make him pay more he will go to the local town council and demand an equal rate for everyone to use your road.

You probably have seen the ads about the "net neutrality" bills before Congress, concerning who gets to manage and set fees for access to the Internet. The House of Representatives has just done the right thing by defeating the so-called net neutrality proposals, and the issue is now before the Senate. The "net neutrality" advocates are a strange coalition of leftist political groups hostile to property rights, some self-appointed consumer groups that seem totally ignorant of good economics, and a few large business users of the Internet (such as Google) who want the telecom companies to provide them a free ride for their demands for a more robust network (read about the rock quarry owner in the example above).

To understand the fight, you need to be aware of the economic interests of the various players. The traditional phone companies have been losing market share to the cable companies, because the cable companies, having entered the market later and having installed fiber optic and other high-bandwidth lines, are able to choose whose products they carry and at what prices. The phone companies' traditional copper wire installations greatly limit how much data can be transmitted.

The phone companies, realizing the old days of the regulated monopoly are long gone, merely want to compete on a level playing field with the cable companies, which means having control over their prices and products. The telephone companies are literally spending tens of billions of dollars to build high-capacity fiber networks, but they need to charge the users, the suppliers of content and the final consumer, enough to cover the cost for all of these new capabilities.

Some who stand for "net neutrality" argue that the phone companies will give preferred treatment to some Internet content providers and slow access for everyone else. This argument ignores that telecommunications is no longer a monopoly. Once telecoms have installed fiber to their final users, they will compete on an equal footing with the cable and satellite companies to provide video (TV and movies), data and telephone services. Most consumers will have access to at least these three alternatives. As in most competitive markets, we can expect vigorous price, product and service competition.

As most cable customers know, cable fees have been rising far faster than inflation. However, where the telephone companies have been allowed to install fiber to their final customers and compete head-on with the cable companies, rates have sharply fallen and consumer choice has greatly expanded.

The Federal Communications Commission already has all the authority it needs to protect consumers against any potential abuse. If the advocates of "net neutrality" were to have their way, broadband deployment would be slower, product innovation would be reduced, and there would be fewer consumer choices.

Thinking people and those who remember history have noticed markets tend to solve problems and government tends to create them. Competition, not "net neutrality," is the best consumer protection.

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