

The Daily Dish

Big Tech and the “Common Carrier”

DOUGLAS HOLTZ-EAKIN | FEBRUARY 24, 2021

Eakinomics: Big Tech and the “Common Carrier”

Question: What do the following companies have in common?

Exxon Mobil Corporation
Pfizer Inc.
Raytheon Technologies Corporation
United Technologies Corporation
DowDuPont Inc.
General Electric Company
AT&T Inc.
Alcoa Inc.
Bank of America Corporation
Hewlett-Packard Company
Kraft Foods Inc.
Citigroup Inc.
General Motors Corporation
Eastman Kodak Company
International Paper Company
Chevron Corporation
Sears Roebuck & Company
Union Carbide Corporation
Goodyear Tire and Rubber Company
Bethlehem Steel Corporation
Westinghouse Electric Corporation

Answer: Each one of these companies became too insignificant and was dropped from the Dow Jones Industrial Average. That’s right, each of these storied companies – each of them

a titan in its day, each of them a seeming invincible competitor – shrank into mediocrity or worse.

I mention this because in the current hysteria (and I use that term deliberately) over regulating tech companies, there is this undercurrent of belief that without using the services of Amazon, Apple, Facebook, Twitter, Google, Microsoft, and other giants, one cannot connect to the benefits of the internet or to an audience.

This belief is surely present in the notion put forward by some scholars that tech regulation should adopt the framework of a "common carrier" for at least some elements of the internet. As AAF's Jennifer Huddleston puts it in her latest paper, these scholars "have begun to argue that various elements of the internet ecosystem have become so indispensable and powerful that they are essentially utilities and should be designated as 'common carriers.' They argue that such an approach is needed to address concerns about the ability of some companies to prevent access to certain websites or services."

At the heart of this viewpoint is the notion that a natural monopoly has occurred or the options are too powerful or costly such that you simply can't imagine getting access to the internet or a particular service from a company other than the current one. But the economy in general is dynamic and innovative, and the internet ecosystem especially so, with competitors offering their services for the various elements needed to put an individual or service online. It is simply an error to treat the internet as a static, unchanging entity controlled by a single actor like the municipal water supply.

And there is a great danger in doing so as well. As Huddleston notes: "Currently, platforms face market incentives to constantly improve and evolve lest they find themselves replaced by newer competitors," with the implication that "existing platforms would be less likely to engage in improvements as they would have the guaranteed success that could be associated with having regulatory protection as a utility and a decreased likelihood of competition."

In addition, "common carriers would be an immensely costly regulation, as University of Florida Professor Mark Jamison has discussed regarding previous arguments about Google. Such a classification would require intense government intervention into very granular business decisions of various elements of the internet such as the formation of contracts for service and decisions regarding which services can be bundled together."

In the end, these firms currently face competition to retain customers, but also have the right to decide what terms they apply and customers they serve. The result is different providers can make different choices, and those seeking such services can consider what

terms will fit their needs and audiences. A premium should be placed on keeping the internet as dynamic, innovative, and competitive as possible, and categorizing parts of it as common carriers is not the way to do so.