Privatization of the Web:
Hidden Economic Backhand

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If the government forfeits its oversight over the private company currently monopolizing the registration of domain names, the private sector cannot ensure that the World Wide Web remains creative, tax-resistant, and a free-fire zone for new ideas. This article discusses the potential price increases and certain loss of what public control remains over the Web's general direction. Ensuring cheap, public access to the Web implies keeping that resource under the U.S. government and away from privatization.

You may not be interested in the privatization of the World Wide Web, but Web privatizers are interested in you. Information technology (IT) leaders, such as the Gartner Group (www.gartner.com), are increasingly interested in apprising Web consumers of the multibillion-dollar potential of the Internet and the Web.

Even utilities, traditionally under the auspices of the public sector, have launched ambitious multimillion-dollar Web-based strategies to capture the imaginations and are clamoring into the pocketbooks of online customers. The H. erdon, Va.-based utility Columbia Energy, Inc., for example, is riding the energy supplier deregulation wave, cutting snail-mailings and the number of hapless service representatives while enlisting the Net literate (see www.atlantaenergy.com and www.georgiaenergy.com) [1].

John Chambers, chief executive officer of Cisco Systems—one of the fastest-growing Internet developing companies—indicated that by 2010, 25 percent of global commerce will be transacted over the Internet [2]. In a November 1998 report, Forrester Research indicated that Internet-commerce revenues will account for 6 percent of all retail sales in the United States by 2003. Yet today, the Internet and the Web are only babies, developmentally and economically. Also reported in the popular IT press was that 40 million surfing households will spend $108 billion online by 2003, up from $7.8 billion spent by 9 million households in 1998 [3].

Enter the Web privatizer.

To them, the numbers indicate that Internet economics will drive Web developments, such as languages and applets, that are pursued rather than the arguably pro-public developments, e.g., education and freeware. The systemic stripping of national stewardship over the American-sponsored Internet is frittering away our most significant, taxpayer-underwritten, communication accomplishment of the 20th century.

Ironically, the Clinton administration's ongoing Internet commerce initiative would include the establishment of federal regulation to protect online buyers [4]. Despite this defense of the online public, privatization culminates in the very monopolistic business configurations that increase costs to Web frequenters, public and private. Web taxation and government over-regulation are anathema to all progressives, but unbridled privatization will drive up costs and in so doing, make access more exclusive. The culmination of the Web privatizers' handiwork can be glimpsed through the publication of the first annual report (November 1998) of the U.S. Government Working Group on Electronic Commerce (http://www.doc.gov/e-commerce/review.htm) and the announced departure of Ira C. Magaziner, adviser to President Clinton on Internet affairs. Abandoning public oversight of the Internet receives an over-hasty nod in Electronic Commerce report, and Magaziner's departure is a clear declaration of private-sector victory over the public's interest in the Web. Internet czar Magaziner "successfully" arranged the current struggle by various companies for the mantle of distributor and ultimate controller of domains .com, .net, .org, and others. This is despite assurances that a nonprofit organization is sought for this important mission [5]. Notwithstanding, the furious maneuvering so rudely following the untimely death of Internet godfather Jonathan B. Postel could only be so impasioned over one thing—money. With Internet use doubling every 100 days and an estimated 100 million worldwide users online regularly, the rules that Postel proposed—hostile to for-profit privatization of the Web—will hardly survive him against conspicuous commercialization.

Through the Commerce Department's National Telecommunications and Information Administration (NTIA), the Clinton administration proposed a nonprofit corporation to manage domains in a June 1997 policy paper published by NTIA. The new Internet Corporation for Assigned Names and Numbers (ICANN), eclipsing the Internet Assigned Numbers Authority (IANA)—a government contractor in Marina Del Rey, Calif.—will control work formerly done exclusively via government contract by Network Solutions of Herndon, Va.

For the moment, IANA will continue to issue numerical IP addresses, and Network Solutions will administer domain name services. Network Solutions is loath to surrender its generally benign, oligopolistic partnership with the federal government. The consolation prize for Network Solutions is the continued control over the domains it has distributed. With privatization,
Privatization vs. Piratization

Privatization is not new—Adam Smith was writing about it in 1762. The British South Africa Company and the Dutch East Indies Company were in private hands until they were absorbed to support global imperialism in the 19th century [7]. Small wonder that important public functions move from government to private control, and back again, with changing times. But Web privatization is akin to the maleficeant genre of gangster capitalism ravaging so much of the former Soviet bloc. The fetish of turning over the publicly underwritten to private hands is based on the industry-manufactured perception that state control seldom achieves public benefits at the lowest possible cost. Nothing of the kind. The moral nomads never mention privatization’s many disasters and false starts [8]. Suspending the U.S. public sector’s Internet oversight role ignores, for instance, the great strides that public sector chief information officers have taken in recent years and their ability to infuse the public interest into the for-profit milieu of the Web [9].

The contract the government has with Network Solutions has been extended until autumn of 2000. The privatization effort was to be consummated by Sept. 30, 1998 but—fortunately—is still under study [10]. For the moment, IANA will continue to issue numerical IP addresses, and Network Solutions, Inc. will administer domain name services. It is not too late—nor is it mere neo-pax Americana—to suggest that the Internet be declared a strategic resource by its creator, the U.S. government, and not be left to possible domination by a foreign entity through market manipulation. No nation should “control” the Internet— but neither do Internet economics allow the United States to afford a global, private sector dictatorship of this indispensable public resource. Maintaining the root server system that maps the domains to IP addresses must stay within the grasp of the same American public whose taxes originally underwrote the Internet. This piece of IT is ours, and it should not be for sale. 

About the Author

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Notes

4. ibid, p. 67.
10. Gerwig, Kate, InternetcWeek Newsletter of Feb. 2, 1998 via an Army list serve, 53list serv@orator.usma.edu