Short answer: it isn't obvious that it can.

Let me back up a second and explain why I am revisiting this issue. Tim Harford [published an article](#) a few days ago that took his masterful econsplaining skills to the issue of net neutrality. But in providing his characteristically clear exposition, he crystallized where many economists (including Tim) slip up on the issue of whether broadband competition would get rid of net non-neutrality and make net neutrality regulations redundant.

Tim points out first that price discrimination — allowing ISPs to charge fees to give different data higher or lower priority – might be actually of value to consumers:

… it is also easy to think of good reasons to treat different kinds of content differently. An online back-up service for big data sets might prefer a discount for a connection that will run only at quieter times of day. Stream the World Cup final and you'll want to guarantee uninterrupted coverage; sell the highlights as a download and you might accept a cheaper, more volatile connection if it saves money.

With a mandatory uniform price, the online back-up might be too expensive to operate, the live stream too slow to satisfy customers, and the video download getting a faster connection than it really needs. (There is a formal economic model of this effect courtesy of Benjamin Hermalin and Michael Katz but it seems intuitive to me.)

This is important. The argument suggests that when network management is an issue (and let's just take that as an assumption here), then consumers might have a better experience if a broadband provider managed it for them to ensure that live streams are uninterrupted while less essential stuff is not. I can only agree, although I have to add [that it is not at all clear](#) that live video streaming is what we would give priority to, but that is another matter.

But the claim follows that if there is sufficient competition amongst broadband providers, then fast and slow lanes would not arise:

Fast lanes and slow lanes are a symptom of this market power, but the underlying cause is much more important. The US needs more internet service providers, and the obvious way to get them is to force cable companies to unbundle the “last mile” and lease it to new entrants.

The problem here is that we believe that competition is designed to provide consumers with more of what they want. So if your claim is that they want fast and slow lanes to manage network traffic, then moving from monopoly to competition won’t stop that from happening. It will likely enhance it even if, at the same time, it delivers lower prices to consumers. Indeed, in my own work (that just appeared in the Journal of Regulatory Economics) I found that it could be a vehicle for such behavior even if net non-neutrality is not just about network management but something more sinister — like content provider hold-up.

The broader argument that I have made many times is that, in fact, solving the main problem with net non-neutrality — content provider hold-up — can be done with net neutrality while using less intrusive pricing schemes and product design to solve network management issues. In other words, I think we can have our cake and eat it too, and net neutrality regulation is a good place to start.

On the issue of broadband competition, there is a political economy reason why net neutrality regulations might turn out to be bad for this: they now provide an excuse to allow things like the Comcast-Time Warner merger to proceed on the basis that net neutrality regulations curb a negative side effect of that. My argument here is that I am far from convinced that the two things are related. However, I guess we will see if the political economy issues assist the merger’s regulatory chances. As Tim Harford noted, cable company stocks rose after last week’s announcement by the FCC, so things are not looking too good on that front.

Joshua Gans does not work for, consult to, own shares in or receive funding from any company or organisation that would benefit from this article, and has no relevant affiliations.

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