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 GartnerGroup (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 clambering into the pocketbooks of online customers. The Herndon, 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/ecommerce/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 overhasty nod in *Electronic Commerce* report, and Magaziner's departure[1] 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 mantel 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 impassioned 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.[2] 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.[3] The consolation prize for Network Solutions is the continued control over the domains it has distributed. With privatization,

An edited and shortened version of this article appeared in Computerworld, *March 8, 1999, pg. 36, http://www.computerworld.com/home/print.nsf/all/9903089432*

it will perhaps be capable of exerting financial leverage it could not exert given public oversight. Network Solutions will retain its monopoly over the domain names it has already given out, but competitions must be held for new business in this area.[4] But just as private enterprises can be bought or sold, so too, it seems, can the *Made in the U.S.A.* label the Internet tenuously retains. Will the new arrangement guarantee that the Internet's future will not be dictated via company acquisition or hostile takeover by a foreign company—British, German, or Japanese? It is a genuine prospect under the current privatization formula.

The domain name-controlling organization as currently configured is considered by many to be insufficiently open and anti-democratic. One commentator on the Web's privatization, Ronda Hauben, put it aptly when quoted in a *Government Computer News* article [6], "Privatization would be moving policy functions out of the control of government and putting them into unaccountable hands. The whole result of this is very dangerous for the public and the Internet."

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 malfeasant 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. ◆

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8. For some of privatization missteps, see "Privatization and the Defense Worker's Opposition," Program Manager, Sept.-Oct. 1996, p. 19; Defense Systems Management College, http://www.dsmc.dsm.mil/pubs/pdf/pmtoc96.htm
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Notes

1. Magaziner will probably be succeeded by David Beier, Vice President Gore's chief domestic policy adviser (source: *Associated Press newswires*).
2. This white paper, the "Framework for Global Electronic Commerce" released in July 1997, urged governments not to create taxes for at least three years. The privatization effort was expected to be sustained. (*InfoWorld*, Nov. 16, 1998, p. 62, story by Bob Trott, "Presidential Internet adviser leaving post").
3. Network Solutions generated revenue of $37 million in the first half of this year by registering names with the .com, .net, .org, and .edu suffixes—not an easy take to part with without a struggle.
4. Ideally, the "registrars" or the private companies that would register domain names would all report to another not-for-profit entity overseeing a reorganized IANA that maintains the master database of numerical Internet addresses that support Web addresses.