

Institute for Policy Integrity  
At New York University School of Law

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## **INTERNET PRICING CHANGES COULD HAVE SERIOUS ECONOMIC EFFECTS**

*Economic analysis of net neutrality rules finds additional fees could curtail content  
and reduce the value of the Internet*

New York City, January 7 —The Internet dominated the last decade, but new pricing policies may have profound consequences for the shape of tomorrow’s Web. That is one of the findings of a report called “Free to Invest: Economic Benefits of Preserving Net Neutrality” released this morning by the Institute for Policy Integrity (Policy Integrity).

“Free to Invest” compiles research and conducts analysis of the behind-the-scenes policy often referred to as “net neutrality.” Under net neutrality, content providers, like newspapers, blogs, and businesses, currently pay Internet Service Providers (ISPs) to upload information online but not a second fee when broadband subscribers access the data. Without net neutrality, content providers could be charged again when that information is downloaded or viewed.

Scott Holladay, an economist, and the report’s co-author said, “Adding these fees would raise the cost of creating websites. It would make new Internet businesses more difficult to launch leading to a fall-off in content. And whenever you have a decline in content, there is a risk the Internet will lose value to all its users.”

The research for “Free to Invest” was conducted over six months beginning with a review of the existing economic arguments on net neutrality in economic, technology and legal journals.

The report discusses the economic trade-offs between using net neutrality or not. For example, if ISPs were to collect additional fees, websites may drop off the Internet, but ISP’s might use some of the additional income from the fees to increase the quality of their connections more remote locations. Ultimately though, the report finds that revoking net neutrality is an inefficient economic tool to encourage these kinds of infrastructure improvements.

“The Internet produces billions of dollars of free value for the American public as information is shared and reused, making it more useful to everyone on it,” said Inimai Chettiar, a lawyer at Policy Integrity and a co-author of “Free to Invest.” She added that, “Net neutrality is an efficient tool to encourage investment in content that increases the value of the Internet for everyone.”

The report comes as a federal proposal to protect net neutrality reaches another milestone: On January 14<sup>th</sup>, the Federal Communications Commission will close the public comment period for a rule governing that will Internet pricing changes.

**The Institute for Policy Integrity** at New York University School of Law is a non-partisan think-tank that works with advocacy organizations and governments to use economics and law to protect the environment, public health, and consumers. Working at the national and local levels in the United States and across the globe, Policy Integrity projects bring economics to bear on issues like climate change, women's health, and net neutrality.

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