TITLE: **Who has power over the internet?**

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In 1922 Herbert Hoover, United States Secretary of Commerce, declared at the first National Radio Conference in Washington, D.C: "It is inconceivable that we should allow so great a possibility for service, for news, for entertainment, for education, and for vital commercial purposes to be drowned in advertising chatter."

By the time Hoover became President just seven years later, the newly created Federal Radio Commission (FRC) had divided up the radio spectrum in ways which favored established commercial interests, and which ensured that advertising would become the most lucrative way for broadcasters to make money. While the early days of radio in the United States were characterised by an explosion of innovation and experimentation by amateur hobbyists, the FRC frowned on such diversity, announcing that "there is not room in the broadcast band for every school of thought, religious, political, social, and economic, each to have its separate broadcasting station, its mouthpiece in the ether."

It was by no means inevitable that broadcast radio in the U.S. would end up primarily as a commercial medium. Other countries eschewed advertising altogether or supported alternatives to commercial broadcasting, for example by regulating a private monopoly (as with the BBC in Great Britain) or via public broadcasting (as with the ABC in Australia).

But the American regulator laid the groundwork for the domination of the radio airwaves by a small number of large commercial networks for many decades. The imperative to attract advertisers influenced what these big radio networks chose to broadcast, and in turn what listeners expected to hear.

Like radio in the 1920s, the Internet today stands at a crossroads. Entry into the online marketplace is in theory open to virtually anyone with sufficient technological know-how and a viable business model. As a result, the World Wide Web is now the very model of diversity, with more information, more products and more opinions accessible more easily than through any other medium in history.

Conceivably, the Internet could maintain this degree of pluralism indefinitely. But there is another possibility: that the Internet will follow the path that various other information industries have gone down over the past century or so. In telegraphy, telephony, radio and television, a familiar pattern has unfolded: after an initial period of innovation and vigorous competition, a small number of players often end up enjoying almost complete control of the mainstream market. ‘Network effects’ in industries with economies of scale mean that tiny advantages in the early stages of development can lead to market dominance once a market matures.

Network effects have already been apparent in the first few decades of the IT industry: Microsoft in operating systems, Google in Internet search and Facebook in social networking. But these examples do not imply that control of an entire medium need end up in the hands of a small number of firms, so long as regulators are vigilant about how the market power of individual firms affects long-term consumer welfare.

Search engines like Google, Yahoo! and Bing are the nexus between millions of internet users and the huge variety of products and services available online. However, the major search engines draw most of their revenue from advertising, just like more traditional media.

As marketers have known for decades, giving something away for free is a powerful motivator for consumers. Habits are important, and once people get used to doing something in a certain way it can be difficult to get them to change. In the case of Internet searches, the changes in behaviour that a free service can encourage may turn out to be to the long-term detriment of consumers because their attention tends to cluster around a small number of prominent listings at the expense of legitimate competition. This pattern is of course not confined to Google, but because the vast majority of web searches are made via Google then the consequences tend to originate most through Google-generated rankings.

The technical nature of any web search operation means that certain arbitrary rules need to be built into a search algorithm and website operators must respond to those rules if they wish to be ranked prominently. Webpages (and online businesses) that do not make it to the search ‘elite’ will stagnate or disappear completely. But if the search engine market were less concentrated – that is, if users did not rely so heavily on any one algorithm to find content on the web – then the idiosyncrasies of one algorithm would be corrected by another, and webpages which struggle for rankings with one provider might generate traffic via another. Put simply, if there were greater diversity in web search, then there would be greater diversity in online commerce.