

The Logic of Email Stamps

by Andrew Brod
Greensboro News and Record, March 28, 2004

In the late 1990s, an email hoax made the rounds, scaring gullible people into believing that Congress was considering a bill that would charge us a nickel for every email sent. If true, the bill would have established a “postage stamp” for email. But it wasn’t true. It was just an urban legend.

Now fast forward a few years to 2004. For many of us, email and the Internet have become an integral part of our lives, but so has something else: spam email. As most of us know, this kind of spam is unsolicited junk email, not the processed meat product made by Hormel (which wishes the rest of us would quit using “spam” in this way).

Spam email generates lots of jokes, mostly due to its often salacious nature. Most of the spam I receive at UNCG is trying to sell me Viagra or one of its competitors. But funny or not, spam is also costly. One estimate is that between 15 and 20 percent of all emails received by U.S. corporations are spam. Another study surveyed workers and found that they spent an average of 40 minutes per week dealing with spam. Then there are the costs incurred by Internet service providers to maintain spam filters and so on.

The costs add up. The consulting firm Ferris Research estimates that the overall cost of spam in the U.S. was over \$10 billion in 2003. And that was just the cost incurred by corporations, not small business people and university professors and home users.

In contrast, the cost incurred by spammers is next to nothing. They have to pay for Internet access and bandwidth, but the cost of each additional email they send is a small fraction of a cent. Even the cost of getting around the latest spam filter is a minor consideration when compared to the infinitesimal cost per email. Have you ever wondered if anyone actually buys generic Viagra from spammers? The number of those who do may well be small, because spammers don’t need many sales to make it worth their while.

Because spammers are happy with very small response rates, the vast majority of us are pestered by their spam. And now we’re hearing calls for something to be done about it.

Whenever a problem like this comes along, the proposed solutions fall into two main categories: technological and behavioral. People generally detest behavioral solutions precisely because they tend to alter everyone’s behavior. What we want is for the *other guy’s* behavior to be changed, but not ours. And so people pin their hopes on better spam filters, as if spammers won’t get around them within a few days.

That’s really the problem with the technological approach: it will just create a cycle of back-and-forth innovations. Spam filters are circumvented by clever spammers, which leads to even better spam filters, which are soon circumvented by clever spammers, and so on.

Therefore, the best approach to the spam problem is behavioral. The most promising solution sounds like a revival of that email hoax from a few years ago: Issue email stamps! But this time around, the idea of email stamps is gaining some traction. Recently Microsoft's Bill Gates proposed a penny stamp on every email sent.

Economics has shown again and again that per-unit pricing is the best way to get people to economize on their use of a resource. You'd cut back on cell-phone use if each minute added to your cost, right? Well, it works that way with just about everything else.

In fact, this has become something of a theme in my columns. Years ago, I chided the News & Record for nagging us to use less gasoline. I wrote that if we *really* want people to burn less gas, we should raise the gas tax. You can imagine the friendly letters I got after that. There was more nagging during our recent drought, this time primarily by the city of Greensboro, which wanted us to use less water. Once again, I trotted out the pricing solution: if we *really* want people to use less water, the city should raise its water rates.

Now spam presents us with a different version of the same problem. Spammers are overusing cyberspace, and the best way to get them to economize on their use of this public resource is to make them pay a price for every email they send. Some analysts agree with Bill Gates that even a penny per email would put a big dent in the cost calculations of spammers. Others advocate a nickel stamp.

Of course, if all emails require stamps, then everyone would have to pay to send email. It wouldn't be just the spammers. This actually sounds good to me, because then maybe my uncle would stop sending me bad jokes. But for most people, this would be extremely unpopular. Paying for something that was previously free is no one's idea of fun, and getting things for free on the Internet is treated as a God-given right (as the on-going controversy over downloaded music illustrates).

But let's set aside for a moment the problem of public opposition to a system of email stamps. What agency is going to issue these stamps and enforce their use? The U.S. government? Government involvement in Internet regulation of this type would itself be unpopular. The Internet has always been an organic thing, and it's not really clear who's in charge. The near-anarchy of the Internet is one of the really cool things about it, but it's also why most efforts to regulate it have failed.

So we've ruled out a purely technological solution to the spam problem, and it appears that a regulatory approach won't work either. Then how about a market solution? What if each of us started issuing *our own* email stamps? Companies like Blue Squirrel (which has reserved the web address www.emailstamps.net) sell anti-spam software that informs senders that you require an email stamp. Once the sender uses a credit card to pay for the stamp, the email is delivered.

In principle, this allows you to set the price of your email stamps. If you feel your time is really valuable, you can charge a dollar per email received. Unlike a regular postal stamp, the price of your private email stamp would go directly to you. Some software makes it possible to waive charges for friends and relatives.

The growing availability of software like this suggests that the best way to solve the spam problem is to leave it to individual users. People who hate spam can choose to make senders buy email stamps. People who choose not to do so will be saying that they don't mind receiving spam. If this works, then soon spam email will no longer be a problem. Spam will be a minor consideration, an easily managed reality of on-line life.

That would make many people happy, including the good folks at Hormel.

© Copyright 2004, *News & Record*