OPEN MARKETS OUTLOOK

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Has Facebook employed Clegg too late to save them?

WHAT NICK CLEGG SHOULD ADVISE FACEBOOK

Judging by the political noises emerging on both sides of the Atlantic, Facebook has appointed former UK deputy prime minister Sir Nick Clegg too late to avert the regulatory regime that is about to land on them. More than a regulatory regime, it may now be too late for them to prevent the break-up of their company under anti-trust rules.

Unlike the UK, where we tend to follow these ideas only when they have become worn out, the US political world has seen a growing debate about monopoly power, and it seems that Congress is now poised to act.

Facebook and Google between them have more than 85 per cent of the online advertising market, which is having an unnerving effect on the economics of the media. Facebook has terrified the political establishment with what populism can do. Something has to give.

Elizabeth Warren has bet her nomination on a big tech break-up…

The delay has been mainly that it makes no sense to act against Facebook and not Google, but Google is a more difficult prospect.

Elizabeth Warren's bid for the Democratic nomination for president, based on her promise to break up the big tech giants, makes it more certain – not because people are necessarily committed politically, but because they want to protect their children.

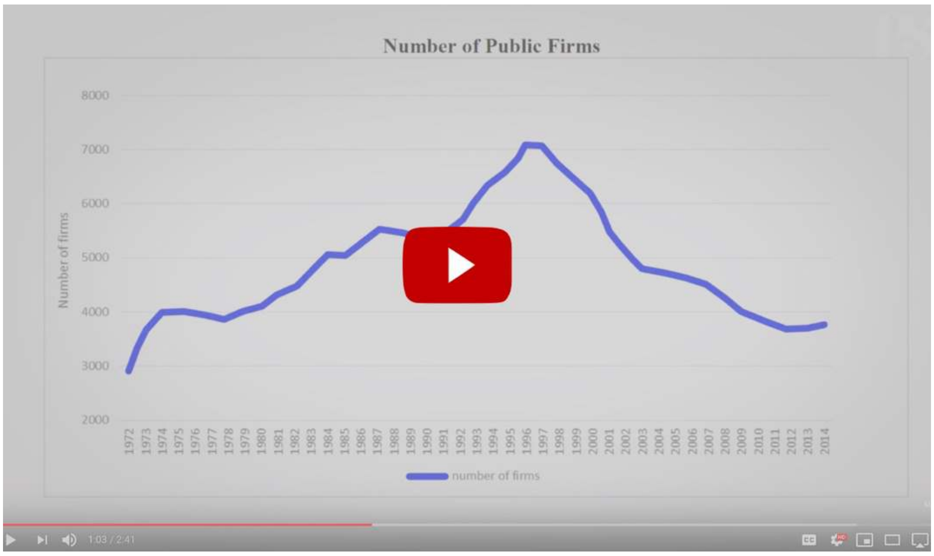
What advice, in these circumstances, might Nick Clegg give his new employers? We would suggest he needs to be pretty forthright. Tell them that a break-up is now virtually inevitable, and it makes sense for them to demerge now, at their own speed and on their own terms – before someone does it to them.

Can the political classes gargle with a word like 'monopsony'..?

BLUFF YOUR WAY IN MONOPSONY

Ever since the term 'monopsony' was exhumed by economist Alan Krueger at the central bankers' knees-up in Jackson Hole, Wyoming, the term has been living on life support while the political classes in the USA tried to work out if it was too technocratic to be useful.

Well, it appears that they have decided it can be used because the popular – but not populist – YouTube channel from Project Syndicate has released an online explanation of, and guide to, the word. It lasts two minutes 41 seconds.



Monopsony is, of course, the mirror image of monopoly, and it happens when there are too few buyers, rather than too few providers. It seems likely, says the video, that the big tech companies deliberately lowered pay in the sector by agreeing not to hire each others' staff.

Will the EU return to the failed industrial policies of the past?

THE RIGHT TO OVERTURN EU MERGER DECISIONS

The governments of France and Germany are locked in dispute with the competition authorities at the European Commission, furious that

Brussels vetoed the proposed Siemens-Alstom rail merger –and demanding the right to overturn merger decisions made by the European Commission.

The idea is included in a manifesto presented by German economy minister Peter Altmaier and his French counterpart Bruno Le Maire that set out proposals for a European industrial policy designed to better protect and promote “European champions”. It seems likely that it will be discussed at the EU summit this month.

> “The choice is simple when it comes to industrial policy: unite our forces or allow our industrial base and capacity to gradually disappear,”
>
> Franco-German industrial policy manifesto

The tension has emerged as the EU competition authorities are now keen to tackle over-consolidation. Previously, their policy had been to build European mega-champions to compete with the over-consolidation of the American market.

We have commented previously on this development suggesting that this might mark a return to the failed industrial policies of the past.

CRACKS APPEAR IN THE UK ESTABLISHMENT

Jason Furman agreed that the dominance of the big tech companies was having a stifling effect on competition...

Just as Elizabeth Warren announced that she was planning to break up the big tech companies, as her American forefathers broke up Standard Oil, the UK contribution to the debate was published – and widely welcomed.

Jason Furman, the former Obama advisor who led the Digital Competition Expert Panel, said that the UK was not thinking of breaking up Google – they will not have the clout after Brexit to do so alone – but he wants a new Digital Markets Unit which will police a new code of conduct.

He agreed that the dominance of the big tech companies was having a stifling effect on competition.

The Financial Times was generally supportive but was sceptical about an enhanced switching regime, which has failed noticeably to open up the energy or banking markets.

TIME TO BAN NON-COMPETE CLAUSES

About 30m Americans are bound by a non-compete agreement...

The US Federal Trade Commission is coming under pressure to ban non-compete clauses, on the grounds that the undermine competition.
Trade unions want a new rule prohibiting employers from requiring that their workers sign agreements limiting them from going to work for a competitor.

The petition, which was spearheaded by the Washington-based antitrust advocacy group Open Markets Institute, cites estimates that one out of every five US workers - or about 30 million - is bound by such an agreement.

The agreements suppress employees' ability to negotiate for raises, escape from unsafe or discriminatory workplaces, or start competing businesses of their own, according to the petition.

"Many workers are signing on the dotted line and not really reading the fine print, because it's not really up for negotiation anyway," said Wayne State University law professor Sanjukta Paul, who is among a group of scholars that also signed the petition.