



OPEN MARKETS OUTLOOK

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AS MARKET DOMINANCE CONTINUES TO GROW, POLITICIANS ARE GETTING MORE INVOLVED

US Politicians are becoming increasingly vocal in the monopoly debate

- Sir Nick Clegg has joined Facebook. We wish him well and highlight some of the challenging issues he will need to tackle
- In the US, politicians are becoming increasingly vocal in the monopoly debate
- Oligopoly has reached the fund management market where just three giant fund managers now control 15% of the S&P 500 giving them outsized influence on 1,000 US corporations
- A new ILSR report outlines the issues of monopoly in the US broadband market where many customers in effect have zero choice of provider
- Stephen Hilton puts forward the view that 'predatory pricing' has moved on from the textbook definition of selling below cost to giving services away 'for free'.

FORMER DEPUTY PM JOINS COMPANY IN FIRING LINE...

Nick Clegg and Facebook – why he joined them...?

The news that the former deputy prime minister Sir Nick Clegg is to run the public affairs function inside Facebook, one of the key oligopolists of online advertising (they and Google have 58 per cent of the market between them), requires some kind of comment from us.

We should explain first though that Clegg is a friend, not just of us personally but also of RADIX where he has served as a trustee. We have the highest opinions of his integrity and his abilities. We know he wants to make a difference with his life, as he has done already as Lib Dem leader and Deputy PM.

We also accept to some extent his [contention](#) that - if Facebook were to be undermined or unravelled in some way by regulatory action - then the same dominance would pass to a Chinese company. We agree, up to a point.

That statement does not, of course, mean, to misquote a former General Motors chief executive, that "what is good for Facebook is good for America." There is no need - nor is it good for our economies in the West - to allow a handful of Silicon Valley winners to have the dominance they do.

How do we balance the globalism of multinational corporations with democratic accountability?

It also highlights the challenge facing democratic societies when companies resist government intervention, whether on dominant market position, or on standards, or on tax arbitrage, on the basis of needing to maintain international competitiveness. We have raised in our globalisation [book](#) the extent to which such behaviour by multinational corporations erodes the power of national governments, undermines democratic accountability, and, eventually, corrodes democracy itself.

It is not clear what is the way out of this increasing tension except the risk of turning ever more people against globalisation.

What the Clegg family does demonstrate by moving to California, and out of the orbit of conventional government in the UK, is where the real power in the world now lies.

We wish them well in this new phase of their life and hope that, operating from the other side of the fence, someone with Nick Clegg's experience, integrity and strong belief in liberal democracy and individuals' privacy, can help usher in a new era for the role of the global tech giants in our lives, our societies, our economies, and our democracies.

Not a particularly big ask is it? We're sure he's up to it.

US POLITICIANS SHIFT ONTO MONOPOLY AGENDA

“Just four firms, in almost every sector in the food and ag economy have acquired abusive levels of market power...”

Ever since he was sacked from a leading US thinktank for criticising Google, the journalist and campaigner Barry Lynn has been a thorn in the side of monopolies and monopolists. Now his new organisation, the [Open Markets Institute](#) in Washington, has brought in leading Congress people in a conference last month to encourage them to voice their concerns.

A range of leading senators queued up to do exactly this and garnered considerable publicity for doing so. One of the most powerful speeches came from the leading New Jersey senator [Cory Booker](#):

“Today, just a small number of giant companies control every single link of the American food chain.

After decades of consolidation, four firms, just four firms, in almost every sector in the food and ag economy have acquired abusive levels of market power, and US farmers and ranchers no longer compete in open and fair markets...”

He also looked at how this situation was impacting on the workforce.

“Clauses that are designed to protect high-level trade secrets are now being used by massive corporations to keep wages down...”

“We’re seeing massive companies like IHOP limit the mobility of folks like Natasha through the overuse of non-competes and so-called no poaching clauses.

Clauses that are designed to protect high-level trade secrets are now being used by massive corporations to keep wages down and keep labor from competing.

Folks working as waitresses, and home health aides, and janitors, and mechanics, are being limited in their freedom to compete.”

A HANDFUL OF FUND MANAGERS TO RULE THEM ALL

Most of the 1,000 largest US companies will be controlled, in effect, by a dozen or fewer people

Only three American indexed fund providers — Vanguard, State Street and BlackRock — are believed to control as much as 15 per cent of the S&P 500 by 2017. More than 44 per cent of assets in US equity funds are also now managed passively, up from 19 per cent a decade ago.

Large numbers of shareholders also never vote, so the voting power of those who do vote is that much more powerful. In a recent draft paper from which

the [Financial Times](#) took these numbers, John Coates of Harvard Law School points out that the big three's share of any contested vote now tends to be critical.

That means that most of the 1,000 largest US companies will be controlled, in effect, by a dozen or fewer people over the next ten to twenty years. This is the precise opposite of democratising capitalism, and must be tackled in time.

"If anything, these figures underestimate the power of passive fund managers because large numbers of shareholders do not vote, even in contested battles, so the voting power of those who do vote is leveraged," wrote John Plender in the FT.

SEEKING THE TRUTH ABOUT MARKET DOMINANCE IN BROADBAND

"Many people, especially those in rural areas, have little or no choice,"

ILSR report on the US broadband market

The Boston-based Institute for Local Self-Reliance has turned its attention to the broken broadband provider market, which is dominated in the USA by a few huge players. One reason for this is that regulators designate any area as covered if one household has broadband, which mean there is little scope for encouraging small providers.

The ILSR report [Profiles of Monopoly](#), Big Cable and Telecom sets out the current dominance in series of maps showing what the big broadband providers offer and where they offer it.

"National cable and telecom companies have complained that they work in a tough industry because ["there's too much broadband competition."](#) Such a subjective statement has created confusion among subscribers, policy makers, and elected officials. Many people, especially those in rural areas, have little or no choice," write the report's authors.

Three conclusions of ILSR report on broadband market...

- Only real competition drives investment.
- The big cable companies dominate the market.
- Big companies concentrate on the urban market, which leaves rural businesses badly served.

Download the *Profiles of Monopoly* report [here...](#)

Has predatory pricing moved from selling below cost to giving it away free?

A DIFFERENT DEFINITION OF MONOPOLY?

David Cameron's former policy adviser Steve Hilton [proposes](#) that we should reorganise competition law by defining monopolies differently – as any company with too much market power. That would remove the question of monopolies from the judgement of regulators and the courts. It would be unambiguous.

“When I was learning economics at university, we had this notion of predatory pricing, which is when you price your product below marginal cost in order to shut out the competition, and that was seen as a problem.” Hilton said about his book [Positive Populism](#). *“Well, now, predatory pricing is the business model, which is we give it away free.”*

Hilton suggests that the regulatory regime ought to be size-related, so that small businesses get considerably less regulation and big ones get more.

About Radix

Radix is a cross-party think tank for the radical centre of contemporary politics. Its aim is to re-imagine the way government, institutions and societies function based on open-source, participative citizenship. To kick-start the thinking that is needed for politics to embrace technology, innovation, social and cultural change.

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