



OPEN MARKETS OUTLOOK

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November 2019

Why America needs to think long term, like Amazon, to escape its clutches

There is no reason why Bezos should be given absolute power, any more than we did the same for others who were efficient



WILL MONOPOLY DEVOUR DEMOCRACY - AGAIN?

Lest we forget. This issue's image is a cartoon from 1904 which shows American fears about the Standard Oil Company's vast and growing power over multiple sectors and the US government.

WHY IS THE US ARMING ITSELF AGAINST AMAZON BUT NOT THE UK?

The Atlantic magazine devoted a large part of one recent issue to a profile¹ of Jeff Bezos, Amazon CEO and Founder and owner of the Washington Post.

It ended with a warning:

"The country needs to think like Bezos and consider the longer sweep of history before permitting so much responsibility to pool in one man, who, without ever receiving a vote, assumes roles once reserved for the state.

His company has become the shared national infrastructure; it shapes the future of the workplace with its robots; it will populate the skies with its drones; its web site determines which industries will thrive and which will fall to the side. His investments in space travel may remake the heavens.

The incapacity of the political system to ponder the problem of his power, let alone check it, guarantees his Long Now. He is fixated on the distance because he knows it belongs to him.

Bezos is maximising his income, the profile says, because he wants to use it to go into space. Amazon got big because it is so competent. There is no reason why Bezos should be given absolute power, any more than we did the same for others like Standard Oil because they were efficient

¹ <https://www.theatlantic.com/magazine/archive/2019/11/what-jeff-bezos-wants/598363/>

That is as good as argument as any why we should hold Amazon back. Especially now that, in the USA, Amazon has removed several barriers that previously made it difficult for customers to purchase a single sub-\$5 item on its own – less than the cost of postage.

The result is a flood of low-priced items – a \$2 roll of dental floss or a 75-cent makeup brush – made available to Prime customers with free one-day shipping, according to the web site Vox.²

The changes could have huge ramifications for retailers like Target or CVS, where one-off purchases of consumer packaged goods are common. It could also add to complaints that Amazon engages in anti-competitive behaviour, though current US laws typically protect companies that keep prices low for consumers.

Analysts at Edgewater Research noticed the changes and wrote in September that Amazon had “*essentially turned off its Add-On programme in recent months*”.

Antitrust law currently misses anticompetitive conduct with its obsession on low prices

“There’s no way that shipping costs are less than 75 cents, and there’s no way any other company that wants to sell a makeup brush could deliver that for free.

It’s not possible and it highlights how pricing strategies can be used to drive rivals from the market. But antitrust law currently misses this anticompetitive conduct with its obsession on low prices.”

Sally Hubbard
Open Markets Institute
former New York state antitrust enforcer

How long before this kind of monopolistic behaviour extends here in the UK, where both rulers and ruled appear to be completely asleep to the implications of monopoly?

“It’s been great for the manufacturers; they’re experiencing sales growth,”. “But I want to warn them all not to get too comfortable. In six months, Amazon is going to come back to you asking for money and could hold the brand hostage,”

Andrea Leigh
former Amazon executive
Vice President at Ideoclick, an agency that helps brands sell and advertise on Amazon
As reported on Vox website Recode

² <https://www.vox.com/recode/2019/10/14/20906728/amazon-prime-low-price-products-add-on-one-day-delivery>

SENATE MOVES TO BAN NON-COMPETE CLAUSES

“A complete reform of non-competes will empower our workers and entrepreneurs so they can freely apply their talents where their skills are in greatest demand...”

A Republican and a Democrat senator, Chris Murphy and Todd Young, have introduced a bill³ that would restrict the ability of employers to prevent their workers from taking a new job in a similar line of work, according to the Washington-based thinktank, the Open Markets Institute.⁴

The Workforce Mobility Act bans non-compete clauses in employment contracts going forward and puts the Department of Labor and the Federal Trade Commission in charge of enforcing the ban. The bill also grants workers the right to sue an employer for presenting, threatening to enforce, or enforcing a non-compete clause.

In a press release, Murphy called non-competes *“economic and innovation killers”*.

“A complete reform of non-competes will empower our workers and entrepreneurs so they can freely apply their talents where their skills are in greatest demand.”

Senator Todd Young

Approximately 30 million American workers are presently bound by non-competes and almost 60 million have been forced to sign a non-compete at some time in their career.⁵ Employer use of non-compete agreements has become pervasive across industries and occupations, hurting both low-income workers and higher-earning professionals including fast food workers, coffee baristas, engineers, hair stylists, musicians, camp counsellors, to name a few.

The “concentration of economic, media, data, and persuasion and political power [that] is incredibly dangerous for our democracies.”

HOW THE CHICAGO SCHOOL SWUNG AGAINST TECH MONOPOLIES

How did the Chicago school economists swing against monopoly?

It began with their Stigler Centre’s annual antitrust conference in 2018⁶, which was dedicated to the issue of concentration and digital platforms, which brought together economists, lawyers, journalists, venture capitalists, and data scientists.

³ <https://www.young.senate.gov/imo/media/doc/BON19840.pdf>

⁴ <https://openmarketsinstitute.org>

⁵ <https://openmarketsinstitute.org/blogs/bipartisan-senators-introduce-bill-banning-future-non-compete-clauses/>

⁶ <https://research.chicagobooth.edu/stigler/events/single-events/antitrust-competition-conference-digital-platforms-concentration>

The conference debates included wide disagreements over how Big Tech should be regulated, but the consensus was that antitrust in its current form is not well-equipped to take on this challenge and that significant reforms are needed.

The result was the Stigler Center’s Committee for the Study of Digital Platforms: a year-long multidisciplinary inquiry into how the political and economic issues raised by the market power of tech platforms should be addressed.

Their final report looks at how to tackle the *“concentration of economic, media, data, and persuasion and political power [that] is incredibly dangerous for our democracies.”*

The report makes the following recommendations:

“Change the criteria for merger rules in the news media market from consumer welfare to citizen welfare...”

- Tighten many US antitrust rules and impose interoperability among digital platforms, similar to the way the US forced interoperability among phone companies, as a way of weakening network effects
- Set up a new digital regulatory agency to oversee all aspects of digital platforms, which would be tasked with “creating general conditions conducive to competition”
- Give regulators the power to access digital platforms’ internal databases and studies, and moderate independent researchers’ access to these databases
- Change the threshold for merger reviews, basing it on transaction value or other criteria that allow regulators to scrutinize transactions between digital platforms and start-ups
- Extend campaign disclosure obligations to specifically target digital platforms
- Adopt pro-consumer default rules so consumers know what privacy disclosures they agree to when they click ‘I Agree’
- Impose an additional duty towards society on the boards of monopolies
- Change the criteria for merger rules in the news media market from consumer welfare to citizen welfare
- Introduce public funding of news organisations that produce quality investigative and democratic journalism through a voucher system designed to promote competition and entry and limit the entrenchment of incumbent large news media outlets

EXPLAINING TO DAVID WHY HE NEEDS TO GET HIS SLING

“Concentrated financial power and consumerism transformed American politics, resulting in the emergence of populism and authoritarianism ...”

Open Markets Institute fellow Matt Stoller has released his new book *Goliath: The 100-Year War Between Monopoly Power and Democracy*.⁷

Goliath, published by Simon & Schuster is “a startling look at how concentrated financial power and consumerism transformed American politics, resulting in the emergence of populism and authoritarianism...while also providing the steps needed to create a new democracy.”

Farhad Manjoo of the New York Times and Obama White House veteran Dan Pfeiffer debated the book and the relationship between Democrats and corporate power in the New York Times⁸ and on Twitter⁹.

Ed Luce at the Financial Times and Matt Stoller also debated¹⁰ the fraught nature of the US relationship with China.

Stanford History Professor Jennifer Burns and author of the upcoming book, *Goddess of the Market: Ayn Rand and the American Right*, argued about the origin¹¹ of the libertarian economics¹² movement.

“We are in a moment where capitalism is being seriously questioned, and Goliath explains why...”

“We are in a moment where capitalism is being seriously questioned, and Goliath explains why.”

There are corrupted and concentrated markets everywhere, not just search engines and social networks but dialysis, syringes, baby food, missiles and munitions. This isn't just a threat to our quality of life, but to our democracy itself.

We have been here before, and we defeated the monopolists. But to do that, we must understand our own history.”

Matt Stoller

About Radix

Radix is a non-aligned 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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⁷ <https://www.simonandschuster.com/books/Goliath/Matt-Stoller/9781501183089>

⁸ <https://www.nytimes.com/2019/09/18/opinion/obama-2008-financial-crisis.html>

⁹ <https://twitter.com/danpfeiffer/status/1174425407812071425>

¹⁰ <https://www.ft.com/content/b67dfd2e-db1f-11e9-8f9b-77216ebe1f17>

¹¹ <https://twitter.com/profburns/status/1183801487446560768>

¹² <https://promarket.org/how-powerful-ideas-can-shape-society-aaron-director-and-the-triumph-of-nihilism/>