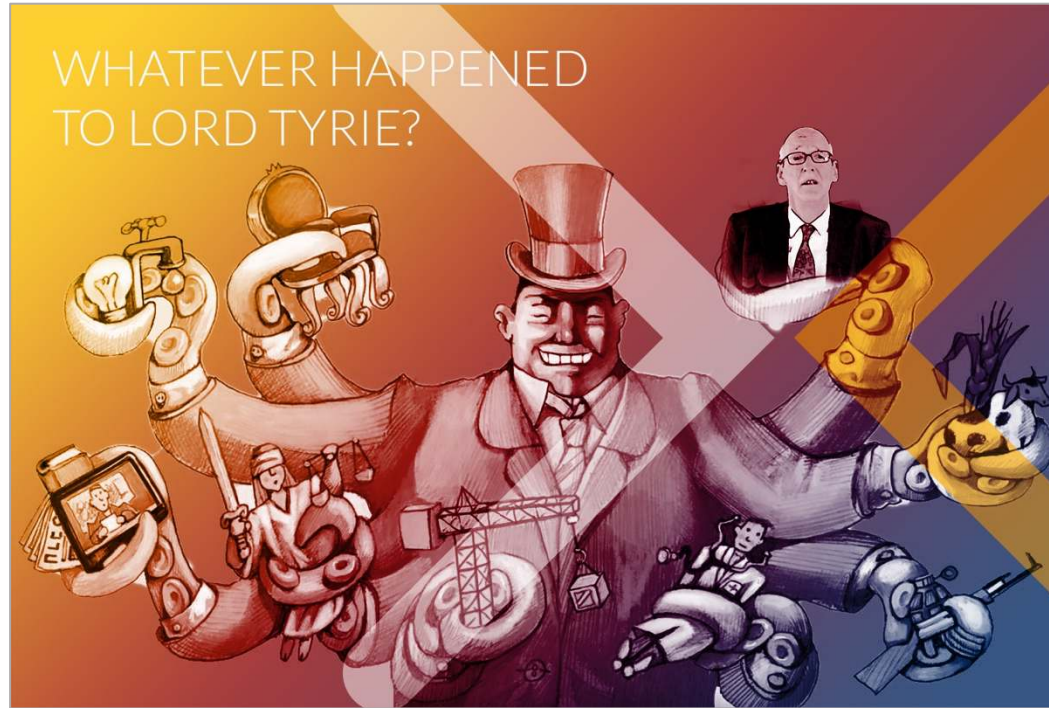




## OPEN MARKETS OUTLOOK

by David Boyle  
dcboyle@gmail.com

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### THE FUTURE OF POLICY? IT ISN'T WOKE OR POLITICAL CORRECTNESS – IT IS GOING TO BE ANTI-TRUST...

**What's become of Tyrie? We think we should be told!**

**Big tech platforms could “destroy a small business with a change to an algorithm...”**

Big tech platforms could “destroy a small business with a change to an algorithm”, said the outgoing chair of the UK competition watchdog, the CMA.

He said it back in March and, by June – a mere passing lockdown – he was out: ousted in a boardroom coup by members irritated, perhaps, by his enthusiastic pro-competition stance.

Since we don't know the full details of Lord Tyrie's ousting, it is hard to say definitely what the links were between those events. If Big Tech reached into the CMA boardroom, they did so too late to prevent a critical – in both senses – report advising the UK government to take action to protect the online advertising market.

We don't yet know what the government will do, but it is clear that there are now two rival interpretations of the word 'competition' doing the rounds in official circles. One is that competition is currently under some pressure from monopolies and oligopolies, and needs to be shaped and protected. The other follows the old Milton Friedman line that competition is best served by doing nothing at all.

## Checking monopoly power is the real future of politics

Our sources don't tell us which view is winning in Whitehall. But the former – because it is supportive of the needs of small business – is, as far as we are concerned, the pro-business option.

In Washington, the political dividing lines are much clearer than they are here. Never mind how woke you are, as you will see in this issue, checking monopoly power in the name of business is the real future of politics.

## Who shot AT and why? That is the question...

### TYRIE OUSTED IN BOARDROOM COUP

The chairman of the UK's competition watchdog resigned in June after just two years in the post, rather than the expected five.<sup>1</sup> He said that the role prevented him from leading a more aggressive campaign for change.

Andrew Tyrie was the victim of a boardroom coup, though it is not clear exactly why – we have to assume that his stance, that UK competition law was not fit for the modern age, irritated old-fashioned defenders of the status quo.

Most commentators agree that Tyrie will be a loss when he leaves the Competition and Markets Authority (CMA) this month.

The former Conservative MP had been asked to design a “new type of competition authority ... better equipped to understand and respond to what most concerns ordinary consumers”.

“The government asked me to take this work forward at great pace. I have done so. I now want to make the case more forcefully for legislative and other reform – in parliament and beyond – than is possible within the inherent limits of my position as CMA chairman.”

**Lord Tyrie, Outgoing CMA Chair**

## CMA: they want enforceable codes and new laws too.

### CMA SETS OUT AN APPROACH TO RESCUING ONLINE AD MARKET

The Competition and Markets Authority (CMA) has published their final report from their study into online platforms and digital advertising.

There are two important aspects to note: the CMA's far-reaching remedies proposals, and its decision to propose a new regulatory system.

## How to overturn the competition landscape for Google and Facebook?

The CMA report makes important legislative recommendations to reshape the digital advertising industry, as well as online search and social media. This new regime would be policed by a similarly new digital regulator, the Digital Markets Unit.

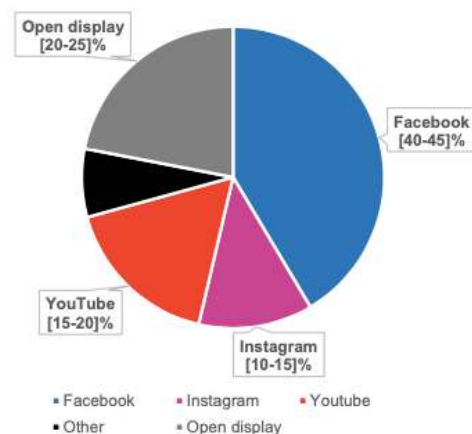
There are broadly two kinds of recommendations:

- The CMA has proposed bespoke enforceable codes of conduct for each digital advertising platform with "strategic market status". The CMA highlights that it would expect both Google and Facebook to hold strategic market status with the codes intended to "manage" the effects of their market power.
- They also want a range of interventions in relation to Google and Facebook, which are intended to tackle the sources of their market power and to increase competition.

The Digital Market Unit would have the power to compel Google to provide access to the data underpinning its search algorithm and goes to the heart of Google's business. Proposals for unbundling Google's role would also fundamentally change the current structure of the digital advertising industry.

The CMA also wants to create a "secure common digital ID" for user data that would overturn the existing competitive landscape for Google and Facebook alike.

**Figure 5.6: Shares of expenditure in the UK video display advertising (2018)**



Source: CMA analysis based on parties' data.

Note: Segments shown in the chart are illustrative, based on mid-points of the stated ranges rather than actual revenue figures.

## BIG FOUR GIVE EVIDENCE TO US LAWMAKERS

The key summer box office event in Washington was when the heads of Amazon, Apple, Alphabet and Facebook appeared together before Congress

**“When these laws were written, the monopolists were men named Rockefeller and Carnegie. Today the men are named Zuckerberg, Cook, Pichai and Bezos...”**

for the first time – following 13 months of investigation by lawmakers into the market power of Big Tech, during which 1.3m documents were turned over, some of which may be made public.

All four companies, who together have a market value of almost \$5 trillion, stand accused of using their market dominance to prevent competition by smaller rivals.

Jeff Bezos, Tim Cook, Sundar Pichai and Mark Zuckerberg testified over video link, avoiding the usual courtroom-like setting, but all they also sat for questions at the same time. The investigation will produce a report after the hearing, which should be published before the end of the year.

The Antitrust Committee chair, Democrat Rhode Island Representative David Cicilline, concluded by hinting at what might lie ahead as lawmakers ponder federal regulations to hold them to account.

“These companies as they exist today have monopoly power. Some need to be broken up. All need to be properly regulated and held accountable,” said Cicilline. “When these laws were written, the monopolists were men named Rockefeller and Carnegie. Today the men are named Zuckerberg, Cook, Pichai and Bezos. Once again, their control of the marketplace allows them to do whatever it takes to crush independent business and expand their own power. This must end.”

**David Cicilline, Anti-Trust Committee Chair**

Here are NBC’s four takeaways from the session:<sup>2</sup>

1. **Bezos "can't guarantee" Amazon never used seller data to make its own products.** Ever since the *Wall Street Journal* earlier this year revealed that Amazon was scooping up data from independent sellers and using it to create its own competing products, Amazon executives had categorically denied it.<sup>3</sup>
2. **Hurting the competition emerges as Democrats' primary charge against Big Tech.** Drawing on more than a million documents and hundreds of hours of testimony collected in the committee's yearlong investigation, lawmakers also peppered the other three CEOs with questions about how their companies got so big and whether they are using their might to hurt much smaller competitors.
3. **Republicans sidetracked the hearing to air complaints over anti-conservative bias.** They made accusations that online platforms are biased against conservatives.

4. **Missing from view? Zuckerberg's reaction?** On Twitter, observers like *Wall Street Journal* reporter Deepa Seetharaman was sorry not to be able to see Zuckerberg's face when Bezos described social media as a "nuance destruction machine".

### **APPLE TRIES TO TORPEDO FORTNITE**

**It matters more than just to Fortnite players...**

Fortnite has released its latest season, only to have it pulled from Apple's App Store, leaving iOS and macOS users unable to update for the highly anticipated Season 4.<sup>4</sup>

But this struggle is bigger than one update, one game, or even one company. Fortnite's Apple user base is the newest casualty in a long antitrust battle between developers and one of the world's richest companies.

Epic Games sued Apple in mid-August, claiming that the company's App Store practices violate the Sherman Act. Epic says that Apple's requirement that all mobile apps come through its App Store - and the 30 percent commission Apple charges for app sales and in-app purchases - amounts to a monopoly, and that Epic - as well as its fellow developers and their customers - should have alternatives.

On September 8, Apple filed its response. They asked a federal judge to award it damages.

Apple is now worth \$2 trillion and it has also kicked Fortnite out of the App Store. Apple also wanted to cut off Epic's access to its developer tools program, which would have affected any apps that use Epic's Unreal Engine.

### **WHY THE AMERICAN BOOKS CHOKEPOINT?**

The *New York Times* has reported that a chokepoint in printing capacity was resulting in severe delays in the production of books.<sup>5</sup>

They blamed the chokepoint on three factors: a sudden spike in sales, disruptions due to the rise of e-books, and financial problems in the printing industry, worsened by the Justice Department's decision last year to block a merger between the two dominant printing corporations.

On the contrary, says the Washington-based thinktank, the Open Markets Institute, the shortage of printing capacity was created primarily by the destructive roll-up of press capacity by private equity firms.

“Any report condemning the Justice Department’s successful effort to block a merger between two dominant printing corporations misidentifies the true culprit of book shortages,” said director Barry Lynn. In fact, blocking the merger between Quad and LSC Communications was the first step toward protecting America’s book readers and authors.

The shortage of printing capacity has been growing more acute for years, driven by the destructive roll-up of press capacity by private equity firms. The problem with the Justice Department is not that it stopped last year’s deal. It is that antitrust enforcers failed to stop these two corporations from rolling up the rest of the industry, and that the department has entirely failed to address Amazon’s dangerous monopolisation over bookselling...

As the *Times* rightly noted, the Great American Book Shortage comes at a time when demand for printed books is up some 5 per cent over last year, as Americans seek both to entertain themselves in dark days and to learn more about pressing issues such as covid-19, the Trump administration, the Black Lives Matter movement, and an increasingly chaotic world.

But it’s important to be clear about the lesson. The source of the problem is not technological change or regulation; it is monopolisation driven by the pincer movement of Big Tech and Wall Street private equity. What we see here, in short, is another instance of how monopolists directly threaten American democracy.”  
Barry Lynn

**Barry Lynn**

## REFERENCES

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<sup>5</sup> <https://www.nytimes.com/2020/08/27/books/printing-companies-backlog-book-publishing.html?referringSource=articleShare>

### About Radix

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Contact: [hello@radixuk.org](mailto:hello@radixuk.org) [www.radixuk.org](http://www.radixuk.org)

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