

The Telegraph

Contradictions abound in the trust-busters' Big Tech hunt

Ryan Bourne

October 23, 2020

The late Nobel prize-winning economist Ronald Coase once said that he had grown tired of antitrust or competition laws, because “when the prices went up the judges said it was a monopoly, when the prices went down they said it was predatory pricing, and when they stayed the same they said it was tacit collusion”.

Coase feared that determined enough politicians, regulators, or judges could use competition laws to conclude that businesses were engaged in anticompetitive acts, whatever the actual facts about price and quality faced by consumers. That worry has been vindicated watching US politicians “take on” Big Tech – with Google, Apple, Facebook and Amazon raked over the coals by Congress and now the Department of Justice for often contradictory reasons.

A recent congressional report, for example, accused Apple of using its strict privacy policies as a shield for instituting measures that gave it a competitive advantage. When it came to Google and Facebook, the same report held up a lack of privacy protections as evidence of anticompetitive market power when user services were free. Which is it? Is a lack of privacy or too much privacy indicative of monopoly power? It depends on the company being targeted, it seems.

If Big Tech is operating in a political minefield on consumer data and privacy, then content moderation is tougher still. Progressives have accused Facebook of aiding the political victories of Donald Trump and Brexit because of poor policing of fake news and disinformation.

Last week, however, it was conservatives slamming Facebook and Twitter for their misguided decision to block a news story about presidential candidate Joe Biden's son, Hunter. The companies claimed they worried it might be fake or in breach of their privacy policies. Either way, the businesses are damned to upset one side, however they choose to respond.

In my view, the decision to block the Biden story was an error of judgment by both companies. Either way, it is not an antitrust issue. Yet an unholy alliance of progressives and conservatives who dislike the companies for various reasons are finding common cause in wanting to use competition laws to cut them down to size. This is arguably where the motivated reasoning is worst.

The first Big Tech case, against Google, was introduced by the Trump administration's Department of Justice on Tuesday. It alleges the business has foreclosed the “market for search” by paying third parties to establish Google as the default search engine on their internet browsers, mobile devices and carriers. Supposedly, this “power of the default” denies Google's competitors recognition and scale, starving them of advertising revenue and so perpetuating Google's “monopoly”.

Yet lots of markets entail companies paying for prominent product placement and there is nothing to stop, say, Microsoft outbidding Google to grant its own search engine, Bing, similar advantages. So the question is whether people stick with Google because it is the best search engine, or because of the difficulty of finding alternatives. The fact it takes about 20 seconds to change your search engine and the most searched term on Bing is “Google” might indicate customers’ perceptions of quality.

Yes, Google obviously sees value in paying the fees. So it would be churlish to suppose these default positions have no effect on market outcomes. But consumers don’t appear reluctant to switch in similar sectors when better products are available. Sam Bowman, director of competition policy at the International Centre of Law and Economics, has highlighted how 69pc of desktop users choose Google Chrome as their internet browser, despite it not being the default on Microsoft Windows or Apple’s iOS operating system.

The most important thing to nail down in cases like Google’s are the contours of the market being investigated. When you give it thought, it becomes clear that the actual market here is in advertising, not “search”. To claim that Google has significant market power then you have to treat “search advertising” as different from other online “display advertising” and adverts in newspapers, radio and TV.

There’s a legitimate case for arguing that. But note another contradiction: to claim Google has a monopoly market share requires saying that newspaper and television advertising cannot substitute for search advertising. Many of those same Big Tech critics constantly accuse Google and Facebook of having killed off much of the newspaper industry by reducing its advertising revenues.

Motivated reasoning aside, what really should matter here, surely, is the outcomes for consumers. It is difficult to see much evidence that search engine users are harmed by Google’s actions. It is tough too to argue that the sharp fall in advertising prices in recent decades would have been much bettered if only customers got to choose their search engine the first time they used a browser or device. Nor indeed is it obvious how consumer welfare in the browser and device sectors would be enhanced if Google were banned from giving money to companies such as Firefox (a competitor to Google Chrome) or to Apple (which has an incentive to provide the best search engine to its customers to improve an iPhone user’s experience).

But that’s the thing about this Big Tech trust-busting movement. Its proponents would willingly give up the principle behind recent decades’ attempts at protecting consumers’ welfare, because of a whole litany of unrelated, and at times contradictory, complaints about these companies. This Google case is the beginning. More are coming and other countries will follow the US lead.

As Coase warned, when politicians and judges convince themselves a business is too big or too powerful, every business practice begins to look like an anticompetitive action, no matter the impact on customers.

Ryan Bourne occupies the R. Evan Scharf Chair for the Public Understanding of Economics at Cato.