NATIONAL REVIEW

# Big Tech's Monopoly of What?

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Facebook, Amazon, Apple, and Google are being threatened with costly antitrust suits and possible dismemberment for having unfairly secured a "monopoly" of something or other. This crusade has spurred congressional hearings and bills, in addition to several executive orders from President Biden. This political campaign reflects, as the *Wall Street Journal* put it, "a new Democratic emphasis on restraining the nation's most powerful companies."

The new trustbusters are hoping to remake antitrust law into a lawyers' combat sport with unpredictable *ad hoc* rules — antitrust for fun and profit. A *New York Times* headline predicts good times for key players: "Boom Times for Lawyers as Washington Pursues Big Tech." But overheated politicians and opportunistic lawyers may not be enough to keep these lucrative games going for long. Sooner or later, all the scattergun monopoly charges will have to confront logic and evidence.

In the scramble to drum up antitrust objections to the four alleged Big Tech monopolies, congressional aides and compliant journalists invariably make two crucial mistakes. First, they adopt indefensibly narrow definitions of the markets that have supposedly been monopolized. Second, they confuse popularity with dominance.

Consider that first stumbling block, which requires defining the relevant market. Whenever any firm is accused of having a monopoly, the first question to ask is: "A monopoly of *what*?" Facebook shows how hard it can be to answer such a seemingly easy question.

In dismissing an ill-fated Federal Trade Commission antitrust suit against Facebook, U.S. District Judge James Boasberg noted that "the FTC alleges only that Facebook has 'maintained a dominant share of the U.S. personal social networking market (in excess of 60%)' since 2011." He added that "the Court is . . . unable to understand exactly what the agency's '60%-plus' figure is even referring to, let alone able to infer the underlying facts that might substantiate it."

The FTC could not even name which companies supposedly share the other 40 percent of its so-called personal social-networking market — which mixes together a hodgepodge of networking, photo-sharing, and chat and messaging apps as if they were interchangeable pieces of a single market. They might as well have included text messaging, email, and Zoom, which are surely used for social communication — except to do so would, of course, dilute Facebook's alleged 60 percent share.

To provide ammunition for this sort of ill-considered antitrust agitation, the House subcommittee on antitrust published an "Investigation of Competition in Digital Markets" with the help of then-staff member Lina Khan, a recent Yale law-school grad, who was swiftly promoted to chairwoman of the FTC.

This congressional investigation contains many pages full of newspaper references. Economics, however, is conspicuously missing throughout. It estimates that the "the Facebook app had *the third highest reach* of all mobile apps, with 200.3 million users in the United States, reaching 74% of smartphone users as of December 2019. . . . In contrast, Snapchat, the mobile app with the seventh highest reach, had 106.5 million users in the United States, reaching 31.4% of smartphone users."

To the report's authors, "Facebook's maintenance of these high market shares over a [unspecified] long time period demonstrates its monopoly power." On the contrary, the cited survey evidence only demonstrates the authors' technological ignorance and economic illiteracy.

Showing which apps are used more often than others merely demonstrates relatively popularity, not market share. To discover that Facebook is more popular than Snapchat was not news. But if three-fourths of smartphones use the Facebook app, that does not leave any less space on our phones for unlimited numbers of other networking, photo-sharing, chat, and messaging apps (not to mention emails and texts).

In a Spring 2018 article in *Regulation*, I wrote a detailed critique of the economics of new antitrust activists, including a *Yale Law Journal* article by Lina Khan. With respect to Facebook, I simply observed that "there is no market for social media. Facebook users are free to be users of Twitter, Snapchat, and as many other such sites as they like." Case dismissed.

## Confusing Popularity with Market Power

If one brand of any product or service has unique features that make it more popular than another, that does not make it a monopoly. Gillette is not a monopoly because it sells more razors than Harry's. Campbell's is not a monopoly because it sells more soup than Amy's.

Facebook, likewise, is not a monopoly because it has more users than Snapchat or Twitter. Amazon is not a monopoly because its online sales — but not total sales — are larger than Walmart's. Apple is not a monopoly because its cellphone operating system is more popular than Google's in the U.S. (but not the world). And the Google Chrome browser is not a monopoly because it is currently more popular than Microsoft Edge (my personal favorite) or Apple Safari. You get the picture.

*Wall Street Journal* columnist Greg Ip concisely, if inadvertently, shows how the word "dominate" is commonly misused to imply Big Tech monopoly: "One or two companies now dominate social media, smartphone app stores, Internet search, web advertising and electronic commerce." The trouble is that each of the so-called dominated markets is much too narrowly defined or is not a market at all. (Outsiders have no more right to place their app in the Google or Apple app stores than they do to place their movie on Netflix.) Here is why defining these "markets" is much more difficult than usually assumed:

- Social media is undefinable: A federal judge revealed why the FTC could not identify a "social media market." There is too much variety among apps that might reasonably be labeled social media, and consumers preferring one over another does not preclude them from also using many others.
- Smartphone app stores are private property — not a potluck dinner: Apple and Google, with 26 percent and 73 percent of the global cellphone operating systems, respectively, impose standards on apps marketed on their own property because bad apps could degrade their cellphones (and some smart TVs). They both regularly ban or remove low-quality content from their app stores, as do the Windows Store and Amazon app store. Protecting device users — including from viruses and privacy invasions — requires restricting developers. Calling something a "platform" does not convert valuable investments in private property into a free public campground, regardless of whether the app in question is on a smartphone, TV, or desktop computer.
- General search is just a fraction of online search: Google's alleged 88 percent share of "the search market," according to the Department of Justice, refers only to unfocused general searches for anything and everything. The DOJ claims that Google "is a monopoly gatekeeper for the internet" entirely because of its "general search engine," as though that is the only way people search for homes, jobs, vacations, romance, or anything else. When it comes to looking for products to buy, Amazon is by far the most popular search engine, as Lina Khan noted in her critique of the company in 2017. But Amazon's importance in shopping searches means Google clearly does *not* dominate search unless — as the DOJ does — we pretend everyone shops for everything on Google, Bing, Yahoo, or DuckDuckGo. Other commercially important search engines (the kind that attracts ads) are even more targeted and specialized. Many popular search engines are go-to choices for real estate, cars, airlines, real estate, health, investments, restaurants, sports, and much more. Like Google, specialized search engines also compete with websites such as TripAdvisor that collect consumer or expert ratings for products and home and professional services. According to a Harris poll, "Nearly twice as many respondents, in fact, say there are too many choices for search engines (19%) than too few (11%). Americans judge the markets for social media, video and audio streaming, e-commerce and other digital services like Apple Pay and Google Pay as similarly competitive."
- Web advertising is only half of total U.S. advertising: Price Waterhouse Coopers estimates that online advertising accounted for 49.4 percent of the $253 billion spent on all sorts of advertising in 2019. Since Google had a 28.9 percent share of online-ad spending, according to eMarketer, that amounts to 14.3 percent of *total* ad spending. Facebook likewise had 25.2 percent of online ads, which is 12.5 percent of the total ads. Amazon had a 10.3 percent share of online ads (which has been rising), or 5.1 percent of

the total. That leaves “only” 35.6 percent of online ads for others, but popularity among users and therefore advertisers does change.

- Amazon’s large share of e-commerce amounts to a ridiculously small share of total retail sales: A recent estimate from eMarketer.com puts Amazon’s share of U.S. *online* sales at 40.4 percent, noting that online sales at Walmart, Target, and Costco grew faster than Amazon’s last year. Yet the overwhelming bulk of retailing is *not* done online, but along every major street in America. As eMarketer found, “Ecommerce sales will make up 15.5% of the $5.856 trillion in total [U.S.] retail sales this year.” Most retail dollars are not spent online, but in large car dealerships, furniture and appliance stores, mattress and rug stores, tire and auto-parts stores, grocery, drug and liquor stores, big-box stores like Walmart, Costco, and Target, and much more. Since online shopping is just 15.5 percent of retail sales, Amazon accounts for just 6.25 percent of *total* retail sales [0.404 x 0.155 = 0.0626].

That is not all. Both Amazon’s estimated share of online sales (40.4 percent) and of total sales (6.26 percent) are still hugely *exaggerated* — double what Amazon itself sells. That is because more than half the sales attributed to Amazon’s website are not from Amazon at all, but from third-party vendors. At least three-quarters of Amazon’s third-party vendors are not dependent on that site, but also sell on other websites — including their own sites (34 percent in 2018) as well as eBay (52 percent), Walmart (17 percent), Shopify (17 percent), and others. Small and big brick-and-mortar stores pick up extra sales on Amazon, as well as their own sites. People who are not Costco members buy many of the company’s renowned Kirkland brand products on Amazon.

What the new antitrust zealots hope to accomplish is somewhat unclear, other than to injure and humble a few U.S. companies, placate interest groups (such as Amazon’s retail rivals and Apple’s app developers), and boost the influence and incomes of antitrust lawyers and officials. The trustbusters’ mission is often described as “restraining the growth of Big Tech,” but it is impossible to restrain growth of the economy’s most successful businesses without restraining growth of the economy.

Whatever the interest-group impulses behind it, the tiresome demonizing of Big Tech has evidently become an irresistible mantra for political showmanship. Overly ambitious antitrust assaults are unlikely to survive economic or courtroom scrutiny, however, because they clearly rely on artificially constricting the scope of markets and confounding popularity with monopoly.

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