Monopoly Myths: Do Internet Platforms Threaten Competition?

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The rapid growth of large Internet platforms has caused some activists, scholars, and political officials to worry about their impact on competition. These concerns are largely misplaced.

KEY TAKEAWAYS

- Online platforms are much like other two-sided market platforms, such as shopping malls, job placement services, and newspaper classifieds: They provide tremendous benefits by reducing transaction costs as they bring together buyers and sellers.

- Critics worry online platform markets often have one or two dominant players, and they could compete unfairly when they sell directly to consumers alongside third parties. But they underappreciate network effects and overstate the dangers.

- Platforms face intense competition on many fronts—advertising, for example—and they have more incentive to attract third-party sellers than displace them.

- Far from being lazy monopolists that try to increase profits by artificially reducing supply, online platforms are constantly innovating to attract and retain users. To do this and create new markets, they invest enormous sums in R&D.

- Existing policy is adequate to deal with legitimate antitrust problems involving online platforms. The statutes readily encompass non-price issues such as threats to innovation or fair dealing.

- Antitrust policy should continue to focus on maximizing overall economic welfare, not on protecting companies from legitimate competition. Other issues, such as privacy, data security, and political power, demand their own policies.
INTRODUCTION

Internet platforms are online businesses that facilitate commercial agreements between two or more sides of the same market—often buyers and sellers of a particular good or service.\(^1\) Although many platforms run marketplaces that match buyers and sellers (Amazon and Etsy), other platforms try to connect people interested in dating (Zoosk), renters with owners (Airbnb), advertisers with viewers of content (YouTube and Facebook), and app developers with phone users (Apple and Google).

Different platforms have different business models, and interact with different parties in different ways. Some sell products (Amazon and eBay) or services (Task Rabbit and VRBO). Others primarily allow users to communicate with each other (Facebook and TikTok) Thus, each platform has created its own rules for optimizing these interactions. Some important distinctions are the degree to which a platform relies on advertising revenue versus fees, its rules for managing suppliers and content, and its relationship with consumers.

Platforms themselves are not new. For example, shopping malls, job placement services, credit card companies, and newspaper classified ads are all two-sided markets. There is a well-established literature on the nature and role of these platforms, with the consensus being they offer users tremendous benefits, largely by reducing the transaction costs of finding other parties to interact with.

Platforms are constantly innovating to attract new users and retain the ones they have. To do this, they invest enormous amounts of money in research and development.

The rapid growth of large platforms has caused some activists, scholars, and political officials to worry about their impact on competition. Concern seems to be aimed at two issues. First, certain companies, such as Amazon, sell directly to customers but also run a platform that connects third-party suppliers to customers. Some people are concerned that platforms could compete unfairly by using data about sales by third-party sellers to decide whether to develop and sell competing products.

Second, because of network effects, many platform markets have one or two dominant players. Some advocates claim this harms consumer welfare and innovation. On top of that, some worry this position becomes self-sustaining because the data the platforms collect gives the companies an advantage their rivals cannot overcome.

This report shows that these concerns are largely misplaced. Platforms create significant economic value. Far from being lazy monopolists that try to increase profits by artificially reducing supply, these companies seek to grow rapidly. They are constantly innovating to attract new users and retain the ones they have. To do this, they invest enormous amounts of money in research and development (R&D).

While the potential benefits of the platform business model are great, the dangers are overdone. These platforms face continued competition in many of the markets they participate in. Their industries are continually evolving. Although some compete with other companies on their platforms, the incentive to attract more third-party suppliers usually outweighs their interest in
displacing any one supplier. And although data can be a valuable resource, its value depends on how it is used. Data alone can seldom protect an incumbent against a rival with a better product.

This is a critical issue in antitrust thinking and doctrine because it is about more than a few large Internet-based companies today. Because of the growing importance of information technology, the frequent combination of high fixed costs, economies of scale and network effects, and global markets, the platform business model may very well represent the wave of the future. Many sectors, such as financial services, professional services, health care, and education, could potentially be transformed and disrupted by Internet-based platform business models, the way Lyft and Uber disrupted the taxicab industry, and Netflix and Hulu disrupted the movie business.

Just as the rise of the industrial corporation in the early 20th century laid the groundwork for 75 years of unprecedented prosperity, it is possible the rise and spread of the platform business model over the next two decades could be equally transformative. But the first revolution happened because policy makers did not give in to the Ida Tarbells of the day and break up large industrial corporations. While policymakers rightly went after trusts, neither the Sherman Act nor the Clayton Act prohibited large industrial concerns, even ones with significant market share. Rather, the antitrust regime that was put in place was largely focused on limiting abuses, not size.\(^2\) The risk is that today’s Ida Tarbells will succeed in limiting the entire business model of Internet-based platforms, and in so doing hold back the needed evolution of the U.S. economy, to the detriment of economic growth.

Finally, existing competition policy is adequate to deal with legitimate antitrust problems. The statutes readily encompass non-price issues such as threats to both innovation and fair dealing. The main imperative is antitrust should continue to focus on maximizing consumer and social welfare, not on protecting companies from legitimate competition. Other issues, such as privacy, data security, and political power, demand their own policies.

**WORRIES ABOUT PLATFORM DOMINANCE**

In the past few years, a growing number of pundits, activists, and scholars have expressed strong concerns about the growing power of the largest Internet platforms. These individuals usually have a bias toward small firms, which they argue are better for capitalism and democracy.\(^3\) For example, an article in *Salon* refers to Amazon, Google, and Facebook as “our massive new monopolies,” alleging they have the power to move entire economies.\(^4\) A piece in *National Review* refers to those same companies as “our digital overlords.”\(^5\)

Press reports have been fueled by writers who are deeply suspicious of large Internet companies. In an interview with PBS about the tech industry, author Tim Wu worried, “There’s a history and a track record of an economy dominated by monopoly flipping into an authoritarian form of government. And I don’t think it’s crazy to start becoming concerned about [a] possible rise of fascism in our times.”\(^6\) A *New York Times* article quotes Barry Lynn, head of the Open Markets
Institute, as saying, “The world is going to be better off after we break up these companies.”\(^7\)

And Matt Stoller of the American Economic Liberties Project has written, “Today, with Google, Amazon, Facebook, we find ourselves in America, and globally, with perhaps the most radical centralization of the power of global communications that has ever existed in history.”\(^8\)

These efforts have resulted in increased scrutiny of Internet platforms. Both the Department of Justice and the Federal Trade Commission have launched antitrust investigations, and the former is expected to file a complaint against Google sometime this summer.\(^9\) State attorneys general have been communicating with their federal peers and begun their own investigations. Press reports suggest they will soon file their own suit against Google.\(^10\) Congress has held hearings about Internet platforms, and is preparing to issue its own report in the next few months.\(^11\) The European Commission has decided three cases against Google, and is currently investigating both Apple and Amazon.

**STUDIES ARGUING FOR TIGHTER ANTITRUST REGULATION**

Much of the intellectual support for tighter regulation comes from three detailed studies of the nature of digital platforms and their role in the economy, each written by a group of antitrust experts. The first report came in March 2019 from the United Kingdom (“U.K. report”) and was written by a team of antitrust experts led by Jason Furman, formerly the chairman of the Council of Economic Advisors under President Obama.\(^12\) Two months later, the European Council issued its own report (“Commission report”) written by a team led by Jacques Crémer of the Toulouse School of Economics.\(^13\) This report laid the groundwork for the European Commission’s recent proposal to increase regulation of Internet platforms.\(^14\) In June 2019, the Stigler Center at the University of Chicago’s Booth School of Management issued a report headed by Fiona Scott Morton of the Yale School of Management (“Stigler report”).\(^15\)

These reports share two overriding views. The first is that more competition is always good. In reality, competition is a means, not an end. The end is overall economic welfare, and more or less competition may be required to maximize it.\(^16\) The second assumption is that most industries are by nature competitive in structure, and any industries with firm dominance are problematic and require intervention to reduce the market share of the largest players. In fact, some industries are by nature more concentrated, and that concentration maximizes innovation and economic welfare.

Based on these core beliefs, the three reports share several concerns. One is that Internet platforms naturally tend toward concentration, with one or two companies controlling most of the market share. This observation is generally true. On the supply side, platforms experience very low marginal costs. Although launching a platform may require large upfront costs in developing the software, purchasing equipment, and attracting users, once the platform is established the marginal cost of adding another user is virtually zero. As Joseph Farrell and Michael Katz wrote, “In network markets subject to technological progress, competition may take the form of a succession of ‘temporary monopolists’ who displace one another through innovation. Such competition is often called Schumpeterian rivalry.”\(^17\)

On the demand side, platforms benefit from large network effects. The benefit to each user grows as more users join the platforms. At the extreme, social benefits might be maximized when everyone uses the same platform. As an Obama administration Council of Economic Advisers'
Some newer technology markets are also characterized by network effects, with large positive spillovers from having many consumers use the same product. Markets in which network effects are important, such as social media sites, may come to be dominated by one firm. In other words, there is a reason why there is one major social networking firm (Facebook), one microblogging site (Twitter), one major professional networking site (LinkedIn), and so on: Consumers get much more value by being able to communicate efficiently with a lot of people. So rather than being a problem, this concentration is a benefit.

Some industries are by nature more concentrated, and that concentration maximizes innovation and economic welfare.

Although each report acknowledges the significant social benefits platforms deliver, they worry that current levels of concentration also pose significant threats to competition. The Commission report argues that these characteristics favor the development of broad ecosystems controlled by one company, which then has a strong competitive advantage, making it very difficult to dislodge. The Stigler report focuses on the difficulty of entry into digital platform businesses once an incumbent is established:

From an economic perspective, there is no single new characteristic that would make competition in digital platforms different from more traditional markets. Rather, it is the coincidence of several factors at a scale that has not been encountered before that makes the problem unique and requires new analysis of market structure and market power. In particular, the platforms with which this report is most concerned demonstrate extremely strong network effects, very strong economies of scale, remarkable economies of scope due to the role of data, marginal costs close to zero, drastically lower distribution costs than brick and mortar firms, and a global reach.

The U.K. report notes about market platforms that “there is reason to be skeptical of the notion that they face serious threats to their dominant positions in the future, unless there are changes to the current policy framework,” and “[t]he barriers to entry that exist in established digital platform markets mean that they cannot generally be considered freely contestable, and as such the largest incumbents’ positions are not imminently under threat.”

The reports are particularly concerned with two aspects of market power. The first is the widespread collection and use of data by platforms. The Commission report states that accumulation of large amounts of relevant data over a long period of time often provides a strong competitive advantage to incumbents. The Stigler report argues that collection of data is characterized by increasing marginal returns, data markets suffer from a lack of transparency, and firms use data to massively manipulate individual preferences. The U.K. report agrees that datasets combining multiple services constitute a material barrier to entry by smaller firms. Toward this end, it would make it easier for consumers to move their data between platforms, encourage open standards within a platform, and make some data available to competitors. Similar concerns have led to the introduction of legislation in the United States.

The second source of market power is the ability to run an Internet platform while also selling products or services that compete with other users of the platform. Both Amazon and Apple are currently facing antitrust investigations in the European Union over this issue.
The fear is that platforms will use data and platform rules to favor their own products. The Commission report asserts that dominant platforms should have a responsibility to ensure competition on their platforms is “fair, unbiased, and pro-users.” To accomplish this, it would change traditional burdens of proof so that, even if consumer harm cannot be precisely measured, practices aimed at reducing the competitive pressure a dominant platform faces would be forbidden unless they clearly benefit consumer welfare.

Largely for these reasons, all three reports call for the establishment of a government agency that would have the ability to establish ex ante rules to govern platforms’ behavior. A sector-specific regulator, similar to the Federal Trade Commission, would write rules that shape the structure of the industry rather than having to respond to firms’ action after the fact. The Stigler report supports a sectoral regulator that could write rules governing a number of competitive practices, including refusals to deal and predatory pricing. The U.K. report would create a digital markets unit with three major functions:

1. Developing a code of competitive conduct for firms designated as having a strategic market status (those in a position to exercise market power over a gateway or bottleneck in a digital market wherein they control others’ market access)

2. Enabling greater personal data mobility and systems with open standards

3. Advancing data openness wherever access to non-personal data will tackle the key barrier to entry

A final change would amend merger law to make it harder for dominant platforms to acquire companies that might offer a competitive threat to them. The Stigler report would change the existing burden of proof for horizontal mergers to require proof that the acquisition would benefit consumers. It would also end the assumption that vertical mergers increase economic efficiency. The Commission report would require the parties to show merger-specific market efficiencies whenever an acquisition appeared to be part of a strategy to prevent users from defecting from the platform’s ecosystem. Finally, the U.K. report would eliminate notice thresholds for firms with strategic market status so that even the purchase of small firms would require approval by the regulator.

**SIX REASONS NOT TO PANIC**

Although some of the concerns voiced and remedies offered in the three reports are valid, they do not justify a major shift away from current antitrust practice. It is important to note that at least two of the reports seem to partially agree with this assessment.

The U.K. report determines that “policy should remain based on careful weighing of economic evidence and models. Consumer welfare is the appropriate perspective to motivate competition policy and a completely new approach is not needed.” Likewise, the Commission report states:

> We are convinced that the basic framework of competition law ... continues to provide a sound and sufficiently flexible basis for protecting competition in the digital era. However, the challenges stemming from the rise of the Internet, the ‘new economy’ and, today, the digital economy do require an adaptation of the way this basic framework is applied.
Despite this, each of the reports concludes platforms are sufficiently different in kind to require significant changes to antitrust policy. We disagree for the following six reasons.

1. Platforms Create Significant Benefits
A report by the Mercatus Center at George Mason University lists five distinct ways in which Internet platforms create value:

1. Improving the use of resources such as cars, vacation rentals, and labor
2. Increasing competition by bringing new buyers and sellers into the market
3. Reducing the transaction costs of finding a counterparty, negotiating an agreement, and enforcing performance
4. Reducing asymmetric information between buyers and sellers by rating each
5. Pushing at the edges of regulation to offer new business models and innovative sources of value

In fact, the largest platforms are among the economy’s most innovative companies, not just in their traditional offerings, but also in cutting-edge technologies such as cloud computing, artificial intelligence, drones, and supercomputing. According to a study of the world’s top 1,000 publicly owned corporations, Amazon and Alphabet (Google’s parent company) are the top two investors in R&D. Microsoft and Apple finished sixth and seventh. Facebook ranked 14th. Together, the 5 companies spent over $70 billion on R&D in 2018. The Economist magazine warned that regulating platforms would douse their innovative spirit.

Although economic benefits are hard to measure, we know they are large. A McKinsey report estimates that using hiring platforms such as Monster.com, LinkedIn, and Upwork to match underemployed workers with job opportunities could boost U.S. gross domestic product (GDP) by $512 billion annually. More broadly, the platform-enabled Internet of Things could generate up to $11.1 trillion in global value by 2025, equivalent to 11 percent of current GDP.

Polling data from 2017 supports this. On average, individuals would have required $17,530 to give up search engines for a year. The equivalent figures for email and maps were $8,414 and $3,648, respectively. Looking just at the top five functions, the average person attached a combined value of $31,607 to Internet services they essentially get for free. Economist Thomas Philippon estimated that the rise of e-commerce is equivalent to a permanent increase in consumption of 1 percent. The Economist reported that the inflation of online prices is running 1 percentage point below official inflation, saving buyers millions of dollars. Regulations that substantially increase the cost of providing these services may also reduce their benefits.

Despite these benefits, the European Commission has pursued antitrust investigations of the largest U.S. Internet platforms, in some cases handing out large fines. These decisions have not always been backed by sound analysis of consumer harms. In fact, The Economist characterized the European Commission’s competition arm as “an example of what happens when well-meaning energy is used to contort economic worries into a flawed legal framework.”
2. Platforms Raise Different Antitrust Issues Than Other Businesses

Antitrust law is capable of dealing with platform issues, but, because platforms use a different business model, applying the law requires some modification. Because platforms exist to bring different parties together, antitrust regulators must look at all sides of a market before ruling that a specific practice harms competition, particularly in markets wherein one side is provided for free. An action that raises the price to users on one side of the market may increase total welfare, and even the welfare of the affected side, if the extra revenue is used to subsidize participation by users on another side. In fact, platforms have a built-in stabilizer that limits the benefit of unfair competition. A platform that raises profits by taking advantage of sellers will of course reduce participation on that side. But it will also reduce participation by buyers who now have fewer sellers to choose from. That, in turn, further reduces the platform’s attractiveness to sellers. The result is a reversal of the network benefits that normally support platforms.

Some business practices that would usually raise antitrust concerns can actually increase competition in a platform. Examples include product tying, exclusive agreements, pricing below marginal cost, and negative pricing. It is certainly possible for Internet platforms to abuse their market power and act uncompetitively. But in order to determine this, antitrust regulators need to undertake the careful economic analysis of all affected parties that current antitrust policy already requires of them. A study from the European Parliament recommends caution:

“Competition authorities and policy makers should focus on preventing the creation of entry barriers, facilitate entry into markets, and foster innovation. Competition authorities should have a cautious attitude towards actual competition problems and to [sic] rely on the self-correcting powers of the market, provided that certain public values such as taxation, privacy and security are protected by appropriate (other) policy frameworks.”

Regulators always need to be alert for clearly anticompetitive conduct by Internet platforms, just as they are for more traditional industries. But the structure of platform markets, while different from others, is not more vulnerable to competition problems than other markets. And the current set of antitrust statutes and practices gives regulators all the powers they need to deal with any practices that clearly harm consumers.

3. Platforms Face Competition

The largest Internet platforms are involved in an increasing number of markets. In many of them, they face strong competition that limits any market power they might have. Most importantly, many of these platforms compete against each other for both ad revenue and the attention of their users, who can focus on only one platform at a time in the midst of both work and family demands. In other words, the relevant market for many platforms is not the narrow platform application itself, it is the overall advertising market on one side, and the market for user attention on the other. That latter market includes not only other Internet applications, but television, books, the radio, and other media. Players in that market also face strong competition in new markets such as cloud computing, autonomous vehicles, and artificial intelligence.

Many of the most popular platforms are free, often earning most of their profits by selling ads to companies that want to reach their users. This automatically puts them into competition with each other for the scarce attention of these same users. Although Google may have a dominant position in search, it is just one of many ways people can spend time online. As such, Google
competes with Facebook, Fortnight, Amazon, TikTok, and many, many others for the limited amount of time their users are online.

In the advertising market, Internet companies compete against other large platforms such as television, radio, and newspapers. They face powerful advertisers using sophisticated software tools including Visual IQ and C3 Metrics to measure the performance of each dollar of ad spending. Partly as a result, the cost of Internet advertising has fallen by 40 percent since 2010. Internet ads are now 40 percent cheaper than print ads of equal effectiveness. And, as the current advertiser boycott of Facebook shows, advertisers can easily go elsewhere.

As for the market for attention, economist David Evans cited several sources of competition for users’ attention:

[A]ttention seekers cannot profitably raise price above zero, must improve the quality of their services through frequent introduction of new features to prevent users from switching to rivals, face constant threats of entry by new attention seekers that will divert traffic from them, face continual threats that new or existing attention seekers will develop a drastic innovation that diverts massive amounts of traffic from them, and operate in a business that has low barriers to entry and exit.

As Robert D. Atkinson and Michael Lind stated in Big is Beautiful:

[W]e shouldn’t really worry about current concentration levels in Internet-based network industries that provide their services for free because the relevant market from a competition perspective is not the social network or microblog network, it’s the advertising market. All these firms compete for advertising dollars and, notwithstanding their size, have little market power in the ad market.

Platforms also operate in very dynamic markets for their core business. Although economies of scale and network effects may advantage a particular provider, these forces are not absolute. Platforms can experience congestion and offsetting network costs. Switching costs have also fallen. In addition, there is an active competition to become the dominant platform. The result is even companies that have a dominant position in their specific market must invest large amounts of research into continually improving their products in response to constantly changing technology. Unlike traditional monopolists, platforms have no incentive to reduce their number of users in order to raise prices. Instead, network effects demand they continually try to attract new users. As antitrust experts Carl Shapiro and Hal Varian summarized, “The information economy is populated by temporary, or fragile monopolies. Hardware and software firms vie for dominance, knowing that today’s leading technology or architecture will, more likely than not, be toppled in short order by an upstart with superior technology.” To be sure, that competition may not come about in the short term (although the quick rise of the video sharing app TikTok suggests it can), but it usually comes about in the longer term through the development of fundamentally new technologies. And after reading multiple versions of the message from Harvard’s Clayton Christensen about disruptive innovation, most companies today live with that fear.
4. Data Alone Is Seldom a Critical Resource
Data is certainly a significant source of the value behind Internet platforms. But in every case, the data depends on the context. To be valuable, data must be surrounded by a sound business model, good technology (including algorithms), and a superior product. Economists Anja Lambrecht and Catherine E. Tucker argued that, for a resource to provide a company with a competitive advantage, it must be inimitable, rare, valuable, and unsustainable. Data is often none of these. Lambrecht and Tucker concluded:

The unstable history of digital business offers little evidence that the mere possession of big data is a sufficient protection for an incumbent against a superior product offering. To build a sustainable competitive advantage, the focus of a digital strategy should therefore be on how to use digital technologies to provide value to customers in ways that were previously impossible.57

Several characteristics of data make it difficult to hoard. The first is that, unlike most other resources, data is non-rivalrous.58 Many companies can use the same data without diminishing its value. In addition, raw data tends to be nonexclusive and cheap. The Economist estimated that giving consumers ownership of their data on Facebook and Google would be worth about $8 per person, far less than 1 percent of the value they place on the free service they get in return.59 Other traits include a low marginal value and diminishing returns to scale. A recent article by The Financial Times shows that much data is virtually worthless when not connected to a good business model or algorithm.60 Information about a person’s age, gender, and location goes for only $0.0005, for example. Where data is valuable, companies can benefit from selling it.

Several studies have shown that having more data seldom makes a material difference to companies. For instance, a study of sales data shows that, while having more data about a particular product leads to better forecasts, the marginal value of additional data falls. Forecasts get better with time, which comes from experience using the data rather than just more of it. In contrast, having more sales data about other products does not increase forecast accuracy.61 Another study finds little evidence that reducing the length of time for which search data is kept (in one example, from 13 to 3 months) appreciably lowers the quality of Internet searches.62 Catherine Tucker has argued that losing access to historical data does not significantly raise switching costs.63

Of course, the widespread collection and use of data often raises privacy concerns. Although such concerns are sometimes misplaced, some officials have used them to argue for stronger antitrust enforcement. In a careful evaluation of data, antitrust, and privacy law, Maureen Ohlhausen and Alexander Okuliar argued that “commingling of the competition and consumer protection laws under any of these approaches is unnecessary and could lead to confusion and doctrinal issues in antitrust, without true gains to consumer protection.”64

5. Competition by Platforms Benefits Consumers
A common complaint among those who favor more regulation of the largest platforms is that it is fundamentally unfair to allow a company to both control the platform and compete with other users on it. As Senator Elizabeth Warren (D-MA) has stated: “[Y]ou don’t get to be the umpire and have a team in the game.”65 The fear is that companies will use data about sales volume and prices to develop their own competing products.
However, rules to stop this would preclude conduct that is both legal and common. Big brick-and-mortar retailers have long followed similar practices, routinely examining sales data about their suppliers’ products. They use this data to allot shelf space and offer promotions. But they also use it to develop their own brands that directly compete with those of their suppliers. For example, a consumer visiting CVS Pharmacy usually has the choice of buying CVS brand aspirin, usually for a lower price, or the branded aspirin, such as Bayer. It is important to recognize that the purpose of competition is not to protect producers, but to advance consumer interests. Consumers clearly benefit from a platform such as CVS or Amazon developing its own products. Moreover, even if the platform retailer has significant market share, it still has an interest in having the company it competes against sell on its platform. To take the case of CVS, some consumers want to buy Bayer products, and would, at the margin, go to other outlets if CVS did not carry them. The most important reason for not interfering with this practice is it almost always benefits consumers. By offering a competing product at a lower cost or better quality, the platform owner makes consumers better off. For good reasons, this is the main goal of antitrust law. Agencies should not protect companies from the risks of legitimate competition.

And of course, large retail companies—either brick-and-mortar stores or Internet platforms such as eBay and Amazon’s Marketplace—provide a tremendous benefit for small sellers, eliminating many of the costs of setting up their own Internet presence, advertising, handling orders, and shipping.

U.S. antitrust policy should be based on a clear theoretical framework backed by sound economic analysis of specific markets. Continued antitrust vigilance is always needed but should be guided by a clear demonstration of consumer harm. Most platform policies are pro-consumer.

6. Fears of Internet Dominance Are Misplaced

Although the top Internet companies enjoy large profits and significant size, they are not as dominant as their predecessors. It is true that the top five Internet platforms—Amazon, Apple, Google, Facebook, and Microsoft—represent a large and growing share of the total value of the S&P 500. However, this share is currently less than 20 percent. In the early 1960s, the top 5 share was over 30 percent. According to The Economist, the largest five platforms also have lower earnings relative to the size of the economy than the largest companies of the past.

There are at least three types of dominance: political, economic, and control of their own platforms. Regarding political power, Internet companies do lobby. However, much of this activity is defensive, trying to respond to legislative threats rather than affirmatively shaping policy in their favor. And it is relatively small. According to Statista, in 2019, the Internet industry spent $74.7 million on lobbying, ranking 18th. This was much smaller than the top 5 industries, which averaged $170.6 million.

Most platforms also lack significant economic power. Because these firms are less integrated into the rest of the economy than their predecessors in terms of the amount of inputs they purchase from other companies, they have less influence over it. Amazon, of course, does have a substantial economic presence, but it still has only around 4 percent of the total retail market. Amazon also faces pressure from its sellers, many of which are large businesses with many alternative avenues to market.
Internet companies do have control over their platforms, which, in some cases, can raise free speech and other concerns. But these are not antitrust issues. Take speech concerns, for which there are three options. The platform can refuse to moderate speech, hoping the benefits of open information will outweigh the damage of false statements, in which case it will be attacked for doing nothing. Alternatively, it can use its best judgment to block harmful speech while encouraging healthy dialogue, in which case it will be attacked for imposing its judgments on society. Finally, public guidelines the platforms enforce can be developed. This latter attempt definitely does not involve antitrust policy.

If there are documented cases of Internet companies having manipulated their platforms for anticompetitive reasons, resulting in harm to consumers, antitrust authorities can—and should—act. In addition, companies should be more transparent, such as by disclosing more details (but not proprietary intellectual property) about how their algorithms rank content, giving notice before making major updates to their platforms, and providing more clarity and explicit policies about managing content and working with third parties.72

CONCLUSION
Although Internet platforms involve a different business model than traditional companies, antitrust policy is already capable of handling most clear (as opposed to imagined) threats to competition. While platforms may pose a threat to competitors, they create huge benefits for users.

Platforms’ dominance in one area of their business reflects the fact that they offer the best services. Despite this, rapid technological evolution forces them to invest large amounts of money in improving their services. Platforms also face strong competition in other markets, including advertising and marketing. Perhaps most important, platforms usually benefit strongly from expansion, which forces them to always compete for new users. Allegations that they achieve this expansion through anticompetitive behavior are usually speculative, with no documents showing clear harm to consumers.

Finally, Internet platforms may represent the prevailing business model of the future in many industries, delivering significant and needed productivity growth. Adopting a special platform regulatory agency or imposing overly strict competition rules on current Internet platforms risks hampering the potential emergence of a dynamic transformation of the entire economy.

Given the adequacy of existing antitrust law and the enormous benefits to consumers, policymakers should be cautious about going too far in limiting this business model.

ABOUT THIS SERIES
In a series of short reports, the Information Technology and Innovation Foundation (ITIF) is examining many of the key claims behind the argument that a significant change in U.S. antitrust policy is warranted. In most cases, we find that the empirical evidence is weaker than claimed. In other cases, the causal relationships are speculative. Although some of the broader trends, such as a decline in innovation, raise serious social issues, they usually have several causes. Finally, in most cases, it is not clear that antitrust policy is either the cause or an effective cure. Broader social policies need to be enacted for such issues as income inequality and privacy.
ENDNOTES


4. Anna Bernasek and D.T. Mongan, “Our Massive New Monopolies: Amazon, Google and Facebook Have the Power to Move Entire Economies,” Salon, June 7, 2015, https://www.salon.com/2015/06/07/our_massive_new_monopolies_amazon_google_and_facebook_have_the_power_to_move_entire_economies/: “The data giants have begun down a path that leads to almost god-like omniscience. There is now a foreseeable prospect of knowing what every individual will pay for every single thing at each moment in time, as well as knowing what every seller or manufacturer will charge.”

5. Robert Verbruggen, “Google, Facebook, Amazon: Our Digital Overlords,” National Review, December 12, 2017, https://www.nationalreview.com/2017/12/google-facebook-amazon-big-tech-becoming-problem/. “There are two other threats the tech monopolies pose that are worth briefly discussing: They are in a good position to maintain their dominance, and their dominance brings with it an extraordinary power to shape public discourse.”

6. “Why Tech Industry Monopolies Could be a ‘Curse’ for Society,” PBS News Hour, January 17, 2019, https://www.pbs.org/newshour/show/why-tech-industry-monopolies-could-be-a-curse-for-society. Tim Wu mistakenly argued that large corporations in Germany were critical to Hitler’s rise, when an accurate reading of German history shows most only supported Hitler after he gained power.


8. Matt Stoller, Goliath: The 100-Year War Between Monopoly Power and Democracy, 449. It’s worth noting that not all that long ago, the average citizen had four main television channels, had to wait until either the local theatre or television played a movie they wanted to see, and had access to only one or two daily papers.


10. Ibid.


25. Ibid, 64–76.


29. Ibid, 42.

30. Stigler report, 76.


34. U.K. report, 55.

35. Ibid, 5.


45. Ibid, 10.


60. Emily Steel, “Financial Worth of Data Comes in at Under a Penny a Piece,” The Financial Times, June 12, 2013, https://www.ft.com/content/3cb056c6-d343-11e2-b3ff-00144feab7de.


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